

## OLYMPIC PODIUM

### A King Dethroned, a Queen Crowned

Andre Phillips set an Olympic record Sunday to dethrone U.S. teammate Edwin Moses, the king of 400-meter hurdlers for the last 12 years, but sprint queen Florence Griffith-Joyner, right, was finally crowned in Olympic gold. And hard-luck middle-distance runner Mary Decker Slaney stumbled yet again, finishing 10th in a 3,000-meter final won in Olympic-record time by Tatjana Samolenko of the Soviet Union.

### It Surely Wasn't All Fun and Games

The Bulgarian weight lifting team, having lost a second gold medal on a drug violation, withdrew from competition; the president of the South Korean National Olympic Committee resigned in the wake of the Great Boxing Incident; and two gold medal winning swimmers were dismissed from the U.S. team and ordered to return home after stealing a statue from a hotel bar.

### Who Says Nice Guys Always Finish Last?

Lawrence Lemieux of Canada had to choose between continuing his Finn-class race or rescuing a fellow sailor. He chose the latter, and for his gallantry the race jury awarded him second-place points, the position he had been in when he spotted the exhausted Joseph Chan of Singapore, who had fallen off his boat.

### Now the Losers Can Pan for Gold

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## G-7 Blesses Stable Dollar Rate

### U.S. Election Concern Is Apparent, but Doubts Persist

By Reginald Dale and Carl Gewirtz  
*International Herald Tribune*  
BERLIN — A renewed agreement to stabilize exchange rates reached by the seven major industrialized countries on the weekend is clearly intended to do as little as possible to disrupt financial markets in the six weeks remaining before the U.S. election.

But doubts remain whether the U.S. currency's recent strength can be maintained over the longer run. Under the agreement, worked out by finance ministers and central bankers of the Group of Seven meeting here, governments will try to hold the dollar at its current level.

Private bankers in Berlin for the joint annual meeting of the International Monetary Fund and the World Bank, which formally opens Tuesday, said the United States and its Group of Seven partners were clearly hoping to keep markets calm at least through the U.S. elections on Nov. 8.

"But if the markets think it's all going to come unstuck after the election," one bank economist said, "they are not going to wait until Nov. 9 to sell dollars."

A number of private economists have also begun to worry that the dollar's recent strength will delay the reduction of the U.S. trade deficit, staving off potential further trouble on the currency markets next year. Many analysts believe that the dollar's longer-term trend is more likely to be downward than upward.

And Giuliano Amato, the Italian Treasury minister, warned that "the recent dollar appreciation might itself be a source of market instability to the extent that it delays the long-awaited absorption of the U.S. external deficit."

Departing from their recent practice, the seven countries — the United States, Japan, West Germany, France, Britain, Italy and Canada — made no specific reference

## Gorbachev Concedes Setbacks

### 'We Are Losing On Perestroika. He Tells Editors'

By Philip Taubman  
*New York Times Service*

MOSCOW — Mikhail S. Gorbachev has told Soviet editors that the campaign to reshape the Soviet Union is faltering, undermined by a gap between plans and deeds.

In a blunt acknowledgment, his three and a half years as Soviet leader have produced few tangible changes, particularly in the economy, Mr. Gorbachev said Friday that "we are going slowly, we are losing time and this means we are losing the game."

"In a word, it turns out there is a gap between our goals and the work."

His remarks were published by the government newspaper Pravda on Sunday.

Although Mr. Gorbachev said that he remained optimistic that changes would eventually take hold and that living conditions for the Soviet people would improve, his address was a somber, often defensive confirmation that his drive to revitalize the country was slogging with problems.

He said the effort "faces many difficulties: a complex mosaic of moods, confusion in the people's minds, illusions, impatience and irritation."

Sounding at times like one of the more conservative members of the party leadership, Mr. Gorbachev chastised the editors for having failed to use their publications to support his policies, and he said that political polarization within the press was diverting attention from key issues.

He warned that opponents have the left and right were working together to "introduce confusion into society."

Since returning from summer vacation three weeks ago, Mr. Gorbachev has faced renewed nationalist unrest in the southern republics of Armenia and Azerbaijan, spurred by a disappointing grain harvest and mounting impatience about food shortages and other problems associated with a stagnant economy.

A Soviet official said last week that preliminary figures for this year's grain harvest showed production of around 200 million metric tons, 5 percent to 10 percent less than the government had hoped. He said the total could rise somewhat when final figures became available.

The summer provided little respite from other discouraging trends, including the failure of new economic policies to rejuvenate the economy, persistent resistance to Mr. Gorbachev's initiatives in the government and Communist Party bureaucracies, and intense public resentment over the government's anti-drinking campaign.

The one hopeful sign of recent days has been a higher-than-expected turnover among local party leaders in the initial phase of nationwide elections that Mr. Gorbachev hopes will give the party infusion of fresh blood this fall.

See SOVIET, Page 6

## Kiosk

### Ozal Message

#### Losing in Vote

ANKARA (AP) — A constitutional amendment to move up the date of local elections was headed for defeat Sunday in a national referendum. Prime Minister Turgut Ozal had said he would resign if the measure were overwhelmingly defeated.

### General News

Billy Carter, 51, whose maverick ways sometimes embarrassed the Carter administration, is dead.

Shimon Peres of Israel was conciliatory on talks with the Palestinians.

MONDAY Q&A: Raul Manglapus, foreign secretary of the Philippines, is optimistic on the U.S. bases talks.

### Business/Finance

Continental has been awarded the lucrative air route between Seattle and Tokyo.

Key OPEC ministers assembled in Madrid for new talks on oil output.

### Special Report

Prospects for world economic growth have brightened and some analysts predict a new "golden age."

## Truth Suffering in U.S. Race

By Bill Peterson  
*Washington Post Service*

WASHINGTON — American voters trying to make up their minds between Vice President George Bush and Governor Michael S. Dukakis of Massachusetts have faced several weeks of sharply negative campaigning, much of it based on allegations that are misleading or simply untrue.

The candidates met Sunday night in the first debate of the campaign. They will debate again in about two weeks.

The campaign has been dominated by sweeping accusations. For example, Mr. Bush has declared in recent campaign speeches that Massachusetts had a \$7.4 billion debt, a "dangerously underfunded" state pension system, the "direst harbor in America" and an economy so faltering that businesses were failing right and left.

According to Mr. Bush, the state lost 36,000 manufacturing jobs during the last six years; allowed a convicted murderer named Willie Horton out on a furlough during which he "raped and murdered again," and is governed by a man who "opposed every new weapons system since the slingshot."

These assertions, all damaging to Mr. Dukakis, are all misleading or arguably untrue.

According to Mr. Dukakis's campaign speeches, Mr. Bush "has no plan for facing up to the trillion-dollar debts his administration has run up," opposed "every single effort aimed at Pentagon reform," committed "assault and battery on the truth," and disagreed with President Ronald Reagan and with Mr. Dukakis on how to deal with the Soviet Union.

These charges, too, are exaggerations or are untrue.

"I see exaggeration on both sides," said Marvin Kosters, director of economic policy studies at the American Enterprise Institute, a conservative think tank "It's really appalling. Sometimes I think they both deserve one another."

Mr. Dukakis has not opposed every new weapon system since the slingshot. He supports, among others, the Stealth bomber, the D-5 sea-launched ballistic missile, the Trident-3 submarine, the M-1 tank, and the F-15 and F-16 jet fighters.

For his part, Mr. Bush has offered a plan, called the "flexible freeze," to deal with the deficit. Mr. Dukakis and others may consider it inadequate, but it is a plan.

Mr. Dukakis and Mr. Bush, however, do agree on one thing: Joe Friday, the tough-talking detective from the "Dragnet" television series. Last week, the Democratic nominee said he, like Friday, wants to deal with "the facts, ma'am, just the facts." Mr. Bush has been quoting the line for weeks.

But "the facts" are among the slipperiest commodities in American politics. With computerized retrieval systems and huge research staffs, candidates seem able to find a "fact" that fits every charge.

The past week provided a good case in point. On Wednesday, a five-page document titled "George Bush Distorts Mike Dukakis' Record" was released.

### NEWS ANALYSIS

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### NASA Hopes Discovery Will Revive Program

By John Noble Wilford  
*New York Times Service*

CAPE CANAVERAL, Florida — U.S. astronauts are at last ready to return to orbit on the shuttle Discovery seeking to revive the flagging civilian space program and to end the long struggle with self-doubt and paralysis that followed the worst disaster in space flight history, 32 months ago.

With the approach of the launching, scheduled Thursday, space agency officials, the astronauts, scientists, policy experts and aerospace executives agree that the stakes could not be higher. They see the launching and the planned four-day mission as a crucial turning point in the space program.

"A success is absolutely essential," said Noel Hinners, associate deputy administrator of the National Aeronautics and Space Administration. But he said many others, looking beyond, emphasized that the Discovery flight would be only a first step in rebuilding a

more robust program. Even with a successful flight, the nation must still define its overall goals and the shuttle's place in achieving them.

Another catastrophic failure would almost certainly plunge the program and the nation into a deep crisis of confidence.

All manned flight might be severely curtailed, and NASA, which once had nearly total control of space activities and was renowned for its technological excellence, might well be diminished beyond recognition.

Confidence in American leadership in space, as a source of economic and political power and international prestige, had been built on the Apollo triumphs on the moon and bolstered by the breathtaking robotic voyages to the outer planets.

The was shattered in one appalling instant by the explosion of the Challenger in January, 1986, when

See SHUTTLE, Page 6



Governor Michael S. Dukakis of Massachusetts holding up a pair of boxing gloves upon arriving Sunday for his debate, the first of the U.S. presidential campaign, with Vice President George Bush.

## U.S. Suspends Convoy Operation in Gulf

By Patrick E. Tyler  
*Washington Post Service*

KUWAIT — The Reagan administration has notified Kuwait and other Arab countries in the Gulf that U.S. warships will no longer provide "convoy" protection for U.S.-flagged vessels traversing the waterway, but will instead reduce the U.S. role to a zone defense in which vessels will be "accompanied" at a distance, U.S. officials said.

The policy change, which was conveyed to the Gulf nations last week but has not been announced publicly in Washington or in Arab capitals, reflects a desire by U.S. Navy officials to reduce both the profile and the cost of the large naval deployment in the Gulf. Iran has posed no naval threats to commercial shipping interests there since the Aug. 20 cease-fire in the war between Iran and Iraq.

None of the Arab governments was said to have objected to the American decision, but Western sources here said Kuwait has asked U.S. officials to consult on each stage of U.S. military reduction in the area. Kuwait is concerned that

peace negotiations in the Iran-Iraq war may remain deadlocked in the opening stage, which would leave open the possibility that hostilities could once again break out.

Kuwait would like the naval escorts to continue as long as there is a threat, a Western diplomat said. "I think they see an end game afoot," he said, "and they believe we should not pull out too hastily."

U.S. officials also said that President Ronald Reagan would meet Monday in New York with the emir of Kuwait, Sheikh Jabbar al Ahmad al Sabah. It is the first time

Sheikh Jabbar has met with a U.S. president since coming to power in 1976.

Mr. Reagan is expected to thank the Kuwaiti leader for Kuwait's contribution to the 14-month operation program that began when Kuwait — seeking protection from Iranian attacks — re-registered half of its tanker fleet under the U.S. flag.

As part of the reflagging program, Kuwait provides free fuel to U.S. warships and pays the \$5 million annual charter fee to the U.S. construction giant, Brown & Root, for the two oceangoing barges converted into floating American bases.

Named Hercules and Win-Brown 7, these surveillance and patrol platforms allowed U.S. forces to virtually shut down Iranian speedboat attacks and mine-laying operations in the northern Gulf.

## On West Bank, Israel's Commander Learns to Live With His Qualms

By Glenn Frankel  
*Washington Post Service*

EIN ARIK, Israel-Occupied West Bank — The stones hit the roof of the four-wheel-drive vehicle like sharp cracks of thunder. Out from the front passenger seat jumped Major General Amram Mitzna, the wiry, bearded officer who commands Israel's forces in the occupied West Bank.

As more stones fell around his uncovered head, he scanned the surrounding buildings while two of his soldiers flicked magazines into their automatic rifles and sprinted up the hill. The minutes later, with darkness drawing a curtain over the road, the soldiers returned empty-handed.

"From the beginning they were brave enough to stand and yell and fight with us," said General Mitzna of the young Palestinian stone throwers. "Now they're gone with the wind."

Indeed, a lot of things have changed for General Mitzna and his men since the Palestinian

striking began here and in the occupied Gaza Strip in December.

Tactics are different on both sides. The mass demonstrations and human waves of Arab rioters of December and January have been replaced by small roving bands who throw rocks or gasoline bombs and then try to melt away.

Similarly, the uncertain, sometimes confused response of the army has given way to tougher and more aggressive use of rifles, gas-bullets and other weapons.

But some of the biggest changes have taken place inside the soldiers themselves and in their self-spoken commander. Eight months ago, General Mitzna started reporters at a news conference by confessing, "I don't feel so well when I wake up in the morning." He was referring to the unease he and his men felt when performing riot duty against Palestinian civilians.

These days the general says he has the same nagging feelings but has learned to control them. Like the men he commands, General Mitzna,

who is one of Israel's most decorated soldiers, has stopped wishing he were somewhere else and has buckled down to a mission that he still clearly finds distasteful but also unavoidable: smothering the nine-month-old uprising.

"I think that today we are less naive, less hysterical," Major General Amram Mitzna

hysterical in the face of a particular problem, and we can see better the total picture," he said in an interview last week. "It takes time to realize this is not a local thing of a one-day thing, but something you have to live with every day, not only physically but mentally. Our understanding now, from generals down to privates, is much better."

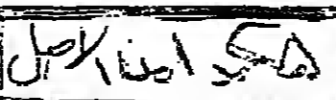
For several weeks now, the Israeli Defense

Force has been on the offensive in the West Bank, adopting more aggressive tactics against street demonstrators, staging large-scale roundups in alleged trouble spots, cracking down with economic sanctions against recalcitrant villages and freely using new, usually nonlethal, plastic bullets.

About 18,000 Palestinians have been arrested since the uprising began, and more than 5,000 remain imprisoned. More than 30 houses of residents accused of throwing gasoline bombs and stones have been demolished, and 60 people have been designated for expulsion, all under emergency military regulations stipulating that these measures can be taken without the subject having first been charged or convicted in court.

About 250 Palestinians have been killed, most of them shot by soldiers, and five Israelis have also died.

General Mitzna, 43, who has a computer printout of such statistics on his desk by 6 each morning, says the number of violent incidents,





# Modest Progress Is Reported In Shultz-Shevardnadze Talks

By Don Oberdorfer and R. Jeffrey Smith  
Washington Post Service

WASHINGTON — Modest progress but no breakthrough on major issues was reported as the United States and the Soviet Union ended two days of negotiations, chiefly on arms control and human rights. They were expected to be the last such intensive high-level discussions in the Reagan presidency.

Secretary of State George P. Shultz, summing up the meetings Friday, said Washington did not accept the Soviet plan of an immediate accord freezing the number of nuclear warheads on ballistic missiles. Mr. Shultz called it "an immense undertaking" and suggested it was too complex for an early accord. At the same time, U.S. officials said the Soviets appeared to have agreed to stop encoding their ballistic missile testing data — long a

point of contention between the two nations — if the United States will agree to ban the encoding of cruise missile testing data. Washington did not immediately agree, the officials said, but an accord accepting this trade-off was under active consideration.

The Soviet foreign minister, Eduard A. Shevardnadze, in a separate news conference, said the two sides had substantially narrowed their differences on a mandate for beginning new East-West negotiations to reduce land armies in Europe, though both sides said more work remained to be done.

Mr. Shevardnadze also said the Soviet Union was willing to disclose for the first time the locations of its former chemical weapons production plants if the U.S. was prepared to reveal the size of its chemical weapons arsenal.

These were among the developments reported at the end of the talks. The Soviets have agreed to accept a delegation of U.S. psychiatric experts to examine Soviet mental health practices, probably in November. The Soviets also disclosed that laws and regulations dealing with religious freedoms, judicial procedures and elections to the Supreme Soviet, the Soviet parliament, would be promulgated before the end of the year.

A joint statement of both sides "expressed deep concern about the recurrent use of chemical weapons, in particular against civilian populations."

No agreement was in sight on the Soviet radar facility at Krasnoyarsk in Siberia, which the United States describes as a violation of the Anti-Ballistic Missile Treaty of 1972. Both sides expressed disappointment that it proved impossible to complete a landmark treaty reducing the strategic nuclear arsenals of the two nations by up to 50 percent.

# Manglapus 'More Optimistic' About Base Talks

Negotiations on U.S. bases in the Philippines have been deadlocked for several months. Raul Manglapus, the Philippine foreign secretary, has been in Washington for talks. Michael Richardson, of the International Herald Tribune, telephoned from Singapore to discuss prospects.

MONDAY Q&A



Raul Manglapus

Q. After meeting George P. Shultz, the secretary of state, and other U.S. officials in the past week, are you any closer to an agreement?  
A. My talks have been fruitful and certain proposals have been received by the U.S. side with an open mind. I'm now somewhat more optimistic than I was when I left Manila.

Q. Congressional sources have been saying that the Philippines wants \$1.2 billion annually, while Washington is prepared to offer a maximum of only \$560 million. How far apart are you on the amount of economic and military aid, and other elements in the compensation package?  
A. When Secretary Shultz came to Manila in June, both sides agreed that the so-called hard components of the proposals on each side were not far apart. I am not at

which would involve a reduction of the \$26 billion external debt of the Philippines.

Q. How would that proposal work?  
A. It would involve the use of U.S. government bonds.

Q. Does that mean the Philippines would be provided with a certain amount of money in the compensation package so that it could purchase those bonds and then use them to buy back some of the national debt at a discount?  
A. That is one possibility, although it is not the only possible formula.

Q. Do the proposals covering the soft component now look distinctly more promising than a week or two ago?  
A. Yes, I think I can say as much. I will be meeting Mr. Shultz in New York for further discussions at the end of the month. The formal negotiations between the two panels will resume in the Philippines in October.

Q. Under the current bases agreement, the U.S. administration undertook to make its best effort to pay the Philippines \$180 million a year in aid. Since Corason C. Aquino replaced Ferdinand E. Marcos as president in 1986,

total aid approved by Congress has averaged \$440 million annually. Isn't that a major contribution?  
A. The U.S. assistance that accompanies the bases is important. It is extremely useful and perhaps indispensable to the armed forces of the Philippines in the acquisition of logistics, equipment and weaponry to fight Communist subversion. However, it has to be noted that other countries that do not host U.S. bases get even more of that kind of assistance.

Q. If you can reach a mutually satisfactory agreement in the review of the current bases agreement for its last two years, will that pave the way for renewal of the agreement after it expires in 1991?  
A. The official position of the Philippine government is that we are holding our options open until the termination of the present agreement.

Q. Given the regional value of the bases, are you disappointed that more of your partners in ASEAN, the Association of South East Asian Nations, and other non-Communist countries in the Western Pacific, have not come out openly and said that it is important for regional security that the American military presence in the Philippines be retained?  
A. We respect the individual

positions of the member countries of ASEAN. We appreciate the position taken by our very staunch friend, Prime Minister Lee Kuan Yew of Singapore, in speaking up for the bases. We also appreciate the (supportive) speech delivered by Ahmad Ruzhaidin, Malaysia's defense minister.

However, although these two have taken positions that we appreciate, neither of them, and not one of the other ASEAN countries, are willing to participate in the political responsibility for the bases.

Q. Mikhail S. Gorbachev has said that the Soviet Union was prepared to move out of its main base at Cam Ranh Bay in Vietnam if the U.S. was prepared to do the same in the Philippines. Does this proposal hold any attraction for the Philippine government?  
A. Statements of that sort, without any accompanying action, do not impress us at all. If either of the superpowers are seriously thinking of withdrawal, they should do exactly what they did with the treaty on intermediate-range nuclear forces, the INF. They should stop making statements and get out and talk it over. Until they do that, we cannot use any statement from either side as a basis for our policy.

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# U.S. and Afghans Differ on Pullout

By Robert Pear  
New York Times Service

WASHINGTON — There is a growing debate between U.S. officials and Afghan guerrilla leaders over how best to insure the speedy exodus of Soviet troops from Afghanistan.

U.S. officials say they have told the guerrillas to attack Soviet forces pulling out of Afghanistan, because such attacks could slow the Soviet withdrawal. But some guerrilla leaders have replied that such attacks instead would expedite it,

giving the Russians an extra incentive to get out before the Feb. 15 deadline.

In the midst of the debate, the United States has named a special envoy to advise the guerrillas as they step up their political and military campaigns to replace the Soviet-backed government.

The envoy, Edmund McWilliams Jr., is assigned to the U.S. Embassy in Islamabad, Pakistan, where he works as a special assistant to the new ambassador, Robert B. Oakley.

Last week, a guerrilla official visiting Washington said, "Afghans do not believe the Soviets will allow the puppet regime in Kabul to fall." The guerrilla, Mohammed Es Haq, here to brief members of Congress and administration officials, added, "Afghans believe the Soviets will find some way to continue intervention."

The prime minister of Afghanistan, Mohammed Hassan Sharq, visited Moscow last week, met with Mikhail S. Gorbachev, the Soviet leader, and signed an agreement establishing "a long-term program for economic, technical and trade cooperation through the year 2000."

Soviet accounts of the visit made almost no mention of General Najib, the Afghan president, but lavishly praised Mr. Sharq.

A State Department official said it appeared that the Soviets were "distancing themselves" from the president and trying to prepare the way for his departure and replacement.

There are seven major factions of the Afghan guerrilla movement. The Islamic fundamentalists, including many members of the Pan-ethnic group in southeastern Afghanistan, say the guerrillas should fire on departing convoys of Soviet vehicles, to teach the Soviets a lesson so they will never again intervene in Afghanistan.

Other guerrillas do not want to harass the departing troops because they know the Soviets have often retaliated by bombing villages.

# WORLD BRIEFS

## Haitian Crowd Backs Dissident Priest

PORT-AU-PRINCE, Haiti (UPI) — About 2,000 cheering churchgoers marched through the capital Sunday, eight days after a military coup, to demand that church leaders allow Haiti's most outspoken priest to hold Mass.

The Reverend Jean-Bertrand Aristide, known for his opposition to Lieutenant General Henri Namphy, who was deposed in the coup, has not been seen in public since an attack on his parish church Sept. 11 that left 12 people dead. The attack helped to precipitate the Sept. 17 coup by uncommissioned officers, who installed Lieutenant General Prosper Avril, as president.

The marchers walked from the Roman Catholic St. Gerard Church in Port-au-Prince toward the Salesian church in the fashionable suburb of Fontenille, where Father Aristide was reportedly hiding. He is thought to be under restriction by church leaders from speaking in public.

## Panamanian Leader to Get U.S. Visa

WASHINGTON (Reuters) — The acting Panamanian president, Manuel Solis Palma, has been given permission to attend the opening of the UN General Assembly in New York but U.S. diplomats will oversee his speech, according to a State Department official.

The United States does not recognize Mr. Solis Palma and is seeking to remove Panama's de facto ruler, General Manuel Antonio Noriega, who has been indicted in Florida on drug charges. Washington insists Panama's legitimate president is Eric Arturo Delvalle, dismissed by Gen. Noriega earlier this year.

"Solis Palma has been authorized to get a visa," said a State Department official, "but U.S. representatives will not attend his speech." Mr. Solis Palma was scheduled to address the assembly on Tuesday.

## Throng Asks Return of Serbian Rule

NOVI SAD, Yugoslavia (Reuters) — Tens of thousands of Yugoslavs, ignoring official pleas to halt their agitation, held another in a series of rallies Sunday to support the returning of an autonomous southern region with an Albanian majority to Serbian control.

The rally, which attracted an estimated 70,000 to 100,000 people, followed a 150,000-strong demonstration in the southern Serbian town of Nis on Saturday, the biggest such protest in two months of ethnic unrest.

The protest Sunday in this town in Vojvodina Province was held despite official pleas to stop the rallies, which began here in July. The protests were prompted by reported persecution of Slavs by ethnic Albanians in Kosovo. Leaders of the demonstrations hope to bring Serbia's two autonomous provinces — Kosovo and Vojvodina — back under central Serbian control to crack down on ethnic Albanian nationalists and separatists there.

## French Socialists Lead in Local Vote

PARIS (Combined Dispatches) — The Socialist prime minister, Michel Rocard, faced the first major judgment of his five months in office on Sunday as voting began in local elections.

France's political parties were competing for 2,042 seats on about half of the country's district councils, or cantons, in the two-round election. The second round of voting takes place Oct. 2.

First partial results issued by the Interior Ministry showed the Socialists taking 25 percent of the vote, the Communists 16.6 percent, the Union for French Democracy 14.34 percent, the Rally for the Republic party 16.67 percent and the National Front 3.31 percent. Abstentions seemed high. The ministry said that by 5 P.M. the turnout was 42 percent, compared with 55.98 percent in 1982. (Reuters, UPI)

## For the Record

Foreign Minister Shimon Peres of Israel and his Czechoslovak counterpart, Bohoslav Choupek, will hold the first open talks between the two states in 21 years, the Israeli Foreign Ministry said Sunday. "The meeting will be in New York where both men will be for the United Nations General Assembly and it will probably take place on Tuesday," a spokesman said in Jerusalem. (Reuters)

The autumn session of the Supreme Soviet will convene Oct. 27 in Moscow to discuss the state plan and budget for 1989, the Communist Party newspaper Pravda said Sunday. (Reuters)

Forty rebels attacked the eastern Nicaraguan town of Los Angeles on Saturday, killing an army officer and a local Sandinista official and looting homes, the government radio reported, quoting a Defense Ministry official. (AP)

Four Philippine soldiers and 12 Communist rebels were killed in two separate clashes in the northern Philippines, according to military reports. The reports on Saturday said two soldiers and eight rebels died in a battle in Pangasinan Province and four guerrillas and two soldiers were killed in Bataan Province, west of Manila, when a rebel camp was overrun. (Reuters)

# TRAVEL UPDATE

## Soviets Said to Reject Berlin Air Shift

BONN (Reuters) — The Soviet Union sees no need to break a monopoly on air travel to West Berlin and has demanded that East Germany be consulted about the use of its air space, a West German newspaper has reported.

The newspaper, Bild am Sonntag, released an unofficial translation Saturday of the Soviet response to plans by the Western allies to expand airline services to the city. The document said the Soviet Union saw "no practical need whatsoever" for ending the monopoly.

The tripartite allied command that administers West Berlin announced in June that it was lifting a 40-year monopoly by Air France, British Airways and Pan Am on services from West Germany to the city because of increased market demand.

## This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Hong Kong, Israel, North Yemen, South Korea, South Yemen, Sri Lanka, Taiwan.

TUESDAY: Ethiopia.

WEDNESDAY: Taiwan, Vatican City.

THURSDAY: Paraguay.

FRIDAY: Botswana.

SATURDAY: Botswana, Burma, China, Macao, Nigeria, San Marino, South Korea.

SUNDAY: China, Guinea, India.

Source: Morgan Guaranty Trust Co., Reuters.

# JERSEY-BASED INVESTMENT. HIGH INTEREST, NO STRINGS ATTACHED.

The Halifax, the World's biggest building society has set up a high interest, no frills investment opportunity in the Channel Isle of Jersey.

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AMOUNT	INTEREST RATE	C.A.R.*
£1,000	10.50%	10.78%
£10,000	11.25%	11.57%
£25,000	11.75%	12.10%
£50,000	12.00%	12.36%

If adding or withdrawing money alters your balance band, the interest rate is automatically adjusted.

Your interest is paid gross without tax deducted, and is added twice yearly. So if you leave your full interest intact for the whole year you will receive a higher compounded annual rate (C.A.R.\*).

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They say time is money. A little time sending in the coupon now will be time well spent for the future.

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THE WORLD'S NO 1

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Copies of the last audited accounts are available on request. Halifax Building Society's registered office is in Halifax, U.K. Rates are correct at time of printing.

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Doubts



# Doubts About Quayle Increase

By David Hoffman  
Washington Post Service

WASHINGTON — Senator Dan Quayle, the Republican vice-presidential nominee, has become a nettlesome internal problem for George Bush's presidential campaign, according to campaign sources.

New polls show that confidence in the Indiana Republican is slipping and that the Bush campaign has continued its strategy of trying to keep the senator out of the limelight.

According to the campaign sources, the strategy with Mr. Quayle is to keep him "out of the fast lane," as one official put it, having him travel largely to smaller media markets and avoid controversy.

In Mr. Bush's own campaigning, Mr. Quayle is mentioned infrequently. For example, Mr. Bush spoke last week at a \$3.1 million party fund-raiser in Houston, an audience of receptive Republicans, and never named his running mate.

When Mr. Bush selected Mr. Quayle, the campaign chairman, James A. Baker 3d, called the move a "bold reach across generations," and Mr. Baker defended the senator as being prepared to take over the presidency. But a month later, public opinion surveys show that these basic premises of the Quayle selection may have been seriously flawed and are not being accepted by the voters.

Mr. Quayle has not had a marked influence over younger voters, according to recent public opinion polls, and a large number of voters of all ages say he is not prepared to be president.

Moreover, the polls suggest that Mr. Quayle's standing among voters has deteriorated since the convention, and Mr. Quayle has increasingly become a target for the Democratic nominee, Michael S. Dukakis, and his running mate, Senator Lloyd Bentsen of Texas.

According to the sources, who are well-informed on campaign thinking and who asked not to be identified, Mr. Quayle's standing has been hurt by a series of impromptu remarks, including a confused effort to explain farm policy, a Chicago speech on foreign policy that wandered away from the text, his "I didn't live in this century" slip-of-the-tongue and other campaign errors.

In addition, unfounded rumors about Mr. Quayle's early schooling and career have circulated regularly, as they did in the days immediately after his selection, causing senior Bush and Quayle campaign officials to devote hours of time to checking. Despite the groundlessness of most of the stories, the campaign has had to spend large amounts of valuable time on the problem.

Mr. Quayle's team of experienced Republican operatives, led by the veteran strategist Stuart K. Spencer, have responded to Mr. Quayle's campaign problems with an intense damage-control effort, scripting the senator's speeches and trying to persuade him to stick to the text once he agrees on one, as he did in Los Angeles last week.

The campaign has tried to keep attention focused on Mr. Bush instead, hoping that voters will not be influenced by Mr. Quayle and gambling that Mr. Quayle can turn in a better-than-expected performance in his Oct. 5 debate with Mr. Bentsen.

Mr. Quayle has been given a low-visibility spot on the Republican marquee. On Thursday, for exam-

ple, President Ronald Reagan campaigned before 9,000 enthusiastic students at Baylor University — the kind of audience that the "generational change" theme might be aimed at — and did not mention Mr. Quayle either. Mr. Bush and Mr. Quayle will campaign together on Monday, the first joint appearance since Labor Day.

Mr. Quayle has been given a relatively light schedule, such as two rallies a day and two private fund-raisers and infrequent news conferences. He follows one of the traditions of vice-presidential campaigning, aiming at getting good local coverage in smaller areas where visits by a candidate of national stature can be big news.

Mr. Quayle was picked by Mr. Bush in a process of secrecy in which Mr. Bush did not give his advisers or others an opportunity to challenge his reasons before they were announced, those involved with the process say. At the time, some top Bush aides said they were advocating Mr. Quayle because they believed he would be a good campaigner. Mr. Bush, in announcing his choice, also embraced the conclusion that Mr. Quayle would appeal to younger voters.

Now few campaign insiders or Republican outsiders are trying to take credit for Mr. Quayle's selection. One source said, "Anybody who was ever for Quayle at all before he was picked is denying it today. People who six weeks ago were calling up and saying what a great campaigner he is and all that now are acting like they never heard of him."

Under Billy Carter's stewardship, the family peanut business became a \$5 million operation. But his, brother's political success forced changes.

In an interview a decade later, Billy Carter said he still regretted being cut off from work he did well when the family businesses were placed in trust during the Carter presidency.

"It changed my lifestyle completely," he said. "I was 40 years old and went from one extreme to the other just overnight."

Reporters eagerly wrote down every word as Billy Carter held court in his little gas station across the park from his brother's presidential headquarters in the southwest Georgia hamlet.

Within the space of a few years, he put his name on a brand of beer that flopped, drew criticism for remarks denounced as racist or anti-Semitic, accepted money from Libya and was forced to sell some properties to pay a debt to the Internal Revenue Service.

But underneath the mask of the court jester was a perceptive man, an avid reader, a fighter who refused to go down quietly under the pressures of alcoholism or cancer.

Jimmy Carter stood by his brother, refusing to muzzle him, joking about Billy's contributions to the beer industry and assuring reporters that Billy was a competent, capable man.

# U.S. Vote: One-Third Are Unsure

New York Times Service

NEW YORK — A New York Times-CBS News Poll released during the weekend showed that 37 percent of the probable electorate had no preference in the presidential campaign or said they could change their current choice.

In addition, 52 percent said that the candidates were not saying enough about the issues they said should be the most important.

The New York Times-CBS News Poll, conducted Wednesday through Friday night with 1,195 adults, including 802 registered voters, suggested that voters were waiting for the new information they hoped the debate Sunday night would provide.

The poll results were released Saturday.

When the results were weighted to reflect likelihood of voting, the poll showed Mr. Bush leading Governor Michael S. Dukakis 46 percent to 40 percent, with the rest undecided.

A New York Times-CBS News Poll taken two weeks ago showed Mr. Bush ahead by 47 percent to 39 percent. Both polls had margins of sampling error of plus or minus three percentage points.

# For Dukakis, Backyard Woes

By Andrew Rosenthal  
New York Times Service

BOSTON — With a month and a half left in the U.S. presidential campaign, about the last thing Governor Michael S. Dukakis wanted was Vice President George Bush needing him in his backyard, the Massachusetts legislature defying him and Massachusetts residents grousing about his record.

But that is exactly what has happened. Mr. Dukakis, the Democratic nominee, has had to spend more time lately than he would have liked in dealing with local problems, some of which are a result of the Bush campaign's efforts to sow national doubts about the 10-year record that is the foundation of the Dukakis candidacy.

Some problems come from the legislature, which defied Mr. Dukakis and convened an extraordinary session of the state Senate at the height of the campaign.

Some come from the vexatious relationship that a third-term governor can develop with his constituents after the glow of his accomplishments has worn off and his decisions have irked enough different groups.

"There is a natural friction you pick up with governing," said Joseph E. Duffy, chancellor of the University of Massachusetts at Amherst. "This is our person and you can get impatient and impatient with someone you know well."

Interviews conducted across Massachusetts last week showed that Mr. Dukakis appeared to have won strong support and wide respect for his intellectual and managerial abilities.

But residents of his home state, even those who said they would vote for him, were quick to criticize him as too arrogant or cold, or too liberal, or too concerned about winning the presidency and not concerned enough with the problems of Massachusetts.

"He's starting to look like an opportunist," said Robert Fisher, who works in a department store in Westfield. "He's taking advantage of things now just because it happens to be a way to get elected, and Boston Harbor's a good example."

"I mean, how long has that cleanup been delayed? If it isn't his fault

exactly, but he could have been doing something about it before now. I didn't see him sailing around the harbor until the campaign and it seemed like a good picture for the media."

Whether or not these criticisms are justified, it was clear that many residents of the state were basing their judgment of their governor not

on lofty issues like national defense but on visceral reactions to a man they feel they know well, and on local issues.

Boston cab drivers, for example, almost uniformly dislike Mr. Dukakis because auto insurance rates are high and speeding tickets expensive.

In Boston on Thursday, the Motorcyclists Against Dukakis organization held a rally at which the members inveighed against his presidential campaign because state motorcycle inspection fees have risen to \$15 from \$4.

That same day his Republican opponent, Mr. Bush, embarrassed Mr. Dukakis by coming to town to accept the endorsement of the Boston police officers' union. No one suggested that that was going to cost Mr. Dukakis the election, or even Boston, but it meant his top staff had to take time away from preparing for the Bush-Dukakis debate Sunday night to fashion a suitably telegraphic retort.

Mr. Bush's campaign has quadrupled its staff in Boston, to eight people, and has started running local television commercials attacking Mr. Dukakis.

All of this appears to have had some effect. Public-opinion surveys conducted for The Boston Herald and WBZ-TV suggested that Massachusetts had become a close race in late August, even though Mr. Dukakis's edge had increased since

Mr. Dukakis has many staunch supporters. "How can I not be for him?" said George Coulouras, who owns a cafe in Lowell, a former mill town that is a centerpiece of the state's economic surge under Mr. Dukakis. "Buildings in Lowell that used to sell for \$10,000 are going for a million or more and that's because of Mike Dukakis."

In Westfield, Katherine Cavanaugh praised him as frugal. "I think he'd save us a little money," she said. "Maybe he doesn't know anything about foreign policy, but he can learn fast and he's smart. He didn't go to Harvard for nothing, did he?"

But it is also easy to find people who have critical things to say about Mr. Dukakis. Take William Lucas, the owner of a furniture and appliance rental store in Lowell.

"He's got a lot of people thinking he's created some kind of miracle in this state and it annoys me," Mr. Lucas said. "As far as I am concerned, his predecessor got it started and he took over the reins."

Even supporters criticized Mr. Dukakis as too arrogant, too liberal, or too concerned with the presidential race.

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# U.S. Court Drafts Shoppers

United Press International

MONACA, Pennsylvania — Sheriff's deputies were obliged to recruit potential jurors in a shopping mall after the jury pool of a Common Pleas Court was exhausted and a homicide trial was scheduled.

Q. Mikhal S. Gorbunov said that the Soviet spy had been at a CIA meeting in the White House in 1950, according to a report by the Philippine government.

A. Statements of the spy, who was not named, were made to a newspaper, and the article was widely reprinted.

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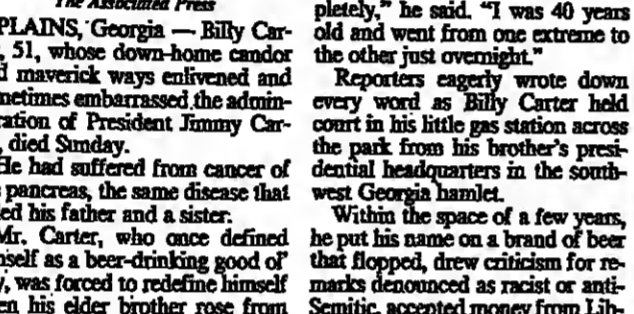
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# Billy Carter Is Dead at 51; Lively Brother of President



Billy Carter

Other Deaths  
Henry Ambrose Finger, 91, whose three decades of missionary service in the Orient included nine years of imprisonment by the Japanese and Chinese, Saturday in Indiana.

Phil Leslie, 79, who for more than a decade created the comic antics of "Fibber McGee and Molly" for radio, of cancer Friday in Los Angeles.

# Lead in Locals

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"It's growing nicely."

"It's growing nicely."

"It's growing nicely."

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Herald INTERNATIONAL Tribune

Gorbachev on the Move

Fresh from a month's vacation, Mikhail Gorbachev has launched his second major initiative toward Asia...

tives in the speech, ones which Mr. Gorbachev probably takes far more seriously than the showy security talk...

High Stakes in Yerevan

The protests of Soviet Armenians constitute a great upheaval with the potential to shake the Kremlin to the core...

Once the United States might have taken a single-minded and scarcely concealed satisfaction in the Kremlin's embarrassment...

Games Worth Watching

The Olympics have not captured America's attention this year the way they did in 1984, and not just because NBC's cameras fit around too much...

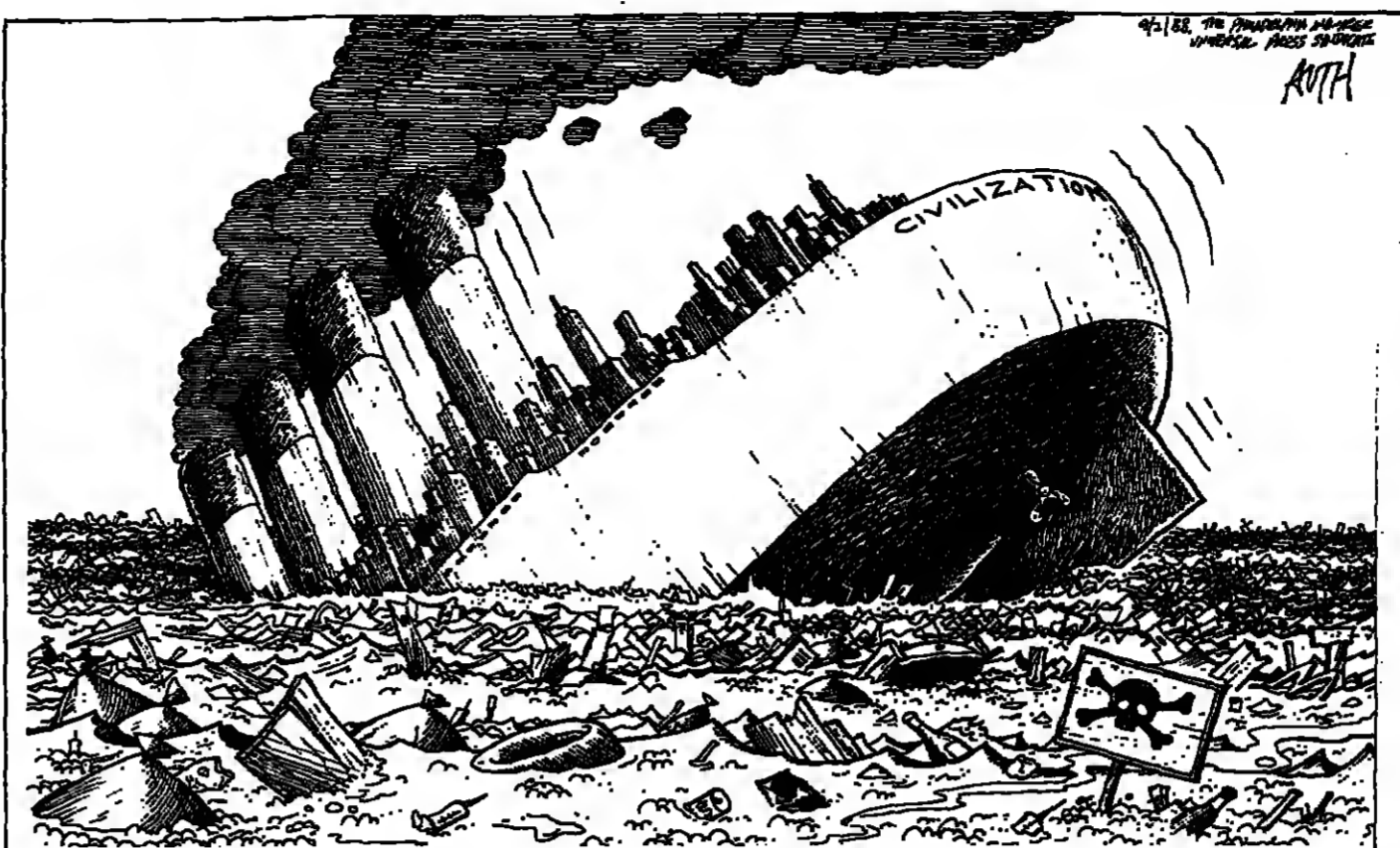
for innocence of spirit, she earned one. So did Greg Louganis. This extraordinary young man — orphan, dyslexic — cracked his head on the springboard, got four quick stitches...

Other Comment

Thatcher vs. the Euroleft If Mrs. Thatcher had declared that she had a dream for a capitalist Europe freed from giant industrial cartels...

therefore where Britain is going to stand for the foreseeable future: fervently and resolutely on the side of private enterprise and against anything that smacks of socialism or corporatism...

OPINION



Science: Let's Hear More About the Second-Raters

LONDON — Everybody applauds the first-rate science, the stuff of which Nobel prizes are made...

his article would imply the suppression of the greatest discovery of this century, we agreed to publish it — on one condition: There would be an on-site investigation of the experiments...

lab seminar, in a private room or over lunch. This permits pockets of second-rate science to remain isolated from the daily drumbeat of skepticism...

ry criticism of colleagues, allowing the second-rate to go undetected. Rival journals have offered gratuitous but unhelpful advice...

Apartheid Works Miracles

LET me quote from one of our few remaining daily newspapers, The Government Gazette: "Nearly 800 South Africans became officially members of a different race group last year..."

Stunted Children: A Crisis America Can't Handle?

WASHINGTON — To talk about the condition of children is by definition to talk about the families in which they live. That is why Americans are going to have to learn to talk about two kinds of children...

us live on. In reality, regular income is a sometime thing. It bounces around, especially at lower levels. Wealth — real estate, stocks, bonds and capital assets — endures.

For mothers leaving welfare and unprecedented automatic funding for education and training. A mother cannot work without child care. A mother cannot work without skills...

From almost the moment the dual family system appeared, successive Congresses and presidents have tried to respond, with welfare the central symbol of the problem. Often we have come close but, so far, always we have failed...

100, 75 AND 50 YEARS AGO

1888: A Bobtail Comet PARIS — The comet discovered by Professor Barnard at the Lick Observatory about two weeks ago is a most eccentric specimen of a class of astronomical phenomena not noted for conventionality...

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1988-1992. KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Jr. Chairman. LEE W. HUEBNER, Publisher. JOHN VINOUCR, Executive Editor...

An Issue for the No-Issue Campaign

THIS issue has many names — breaking the cycle of poverty, resending the underclass, early childhood intervention. What it comes down to is saving the next generation of children at risk, those who lack a fair chance...

1913: Another Mexican

WASHINGTON — Distinct satisfaction over the nomination of Senator Clerical party of Senator Francisco Gombos, who is currently Minister of Foreign Affairs, as a candidate for the Presidency of Mexico is manifested at the White House to-day

This Latin Is Talking Good Sense

NEW YORK — Carlos Andrés Pérez is campaigning to be president of Venezuela again. He came to the United States with some new ideas about dealing with what he calls "the historic misunderstanding" between it and Latin America...

1938: No' to Ultimatum

LONDON — France and Czechoslovakia this morning (Sept. 29) rejected the terms of Hitler's memorandum asking for immediate occupation of predominantly German areas of Czechoslovakia...

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From an editorial in The New York Times.



AMERICAN TOPICS

Wanted: Olympians To Pitch With Pros

Madison Avenue is monitoring the Seoul Olympic Games, looking for athletes who not only are winners but also have the star quality it takes for product endorsements...

A drug offense or any other serious brush with the law can mean disqualification by Madison Avenue. So can bad sportsmanship.

Short Takes

The oyster crop in Chesapeake Bay is the "worst ever," says Roger Mann, of the Virginia Institute of Marine Science in Williamsburg, Maryland...

Manhattan streets are usually repaired at night. The New York Times reported in an article headed "You, the Night and the Jackhammers"...

Rivals Seek To Avoid Violence In Lebanon

By Ihsan A. Hijazi
BEIRUT — Despite an acute political split reflected in the existence of two rival governments, Lebanon's warring factions appeared eager Sunday to avoid settling their conflict by military means.

Notes About People

Joey Dee, 48, the singer-songwriter whose "Peppermint Twist" was a hit record a generation ago, is raising money to build a home in Florida for needy, aged rock-and-roll musicians.

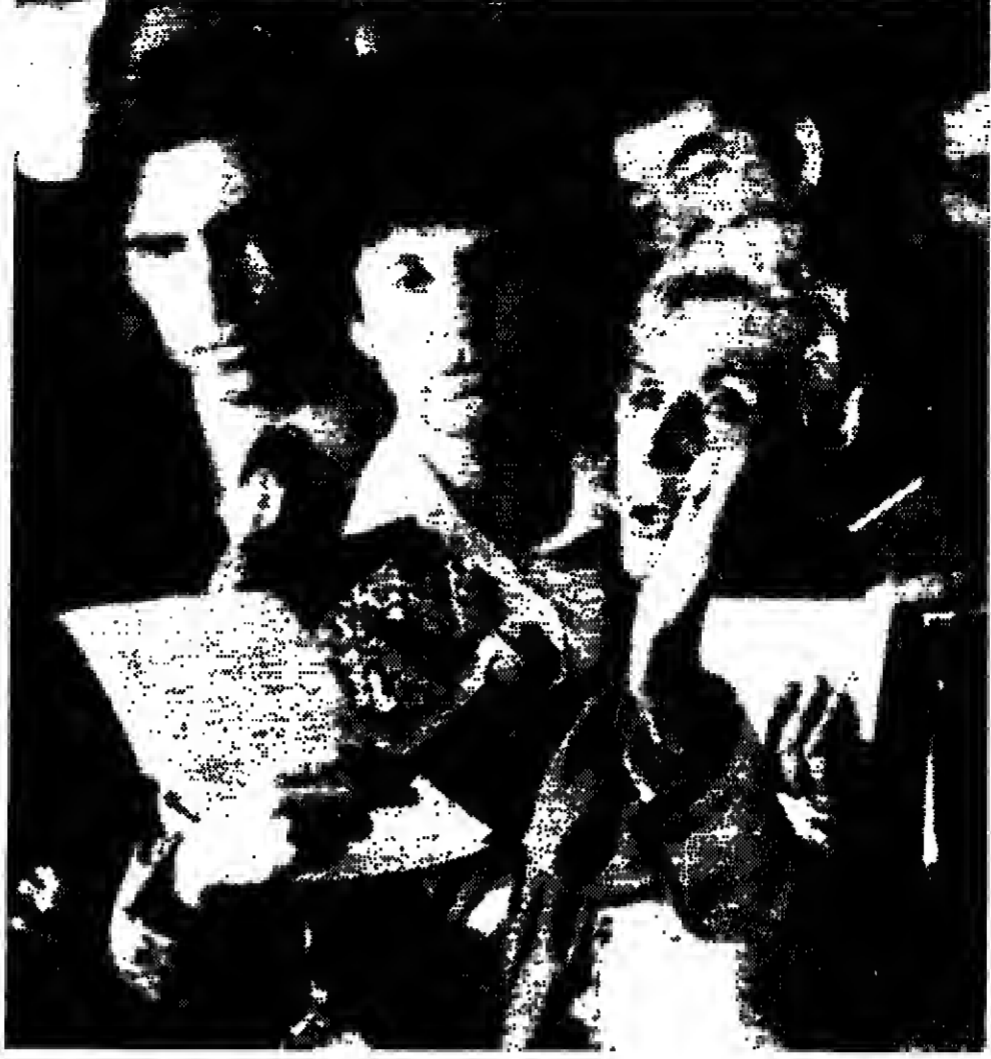
Med Tossie, 63, says that for years he hated the nickname "The Velvet Fog" bestowed on him when he was a 21-year-old crooner by a New York disk jockey, Fred Robbins.

At a Washington Post book lunch, Kirk Douglas, whose own autobiography, "The Ragman's Son," is a best-seller, said the title had come to him after he picked up a hitchhiking sailor in uniform.

Syria rejected Lebanon's three-day Christian military government Sunday in favor of one formed by rival Muslim leaders, deepening the sectarian partition of the country.

Arthur Higbee

Widow of Allende Ends 15-Year Exile



Hortensia Bussi de Allende, right, arriving in Santiago on her first visit to Chile since she was exiled 15 years ago. With Mrs. Allende are her daughter, Isabel, and her grandson, Gonzalo Meza Allende.

Widow of Allende Ends 15-Year Exile

By Shirley Christian
SANTIAGO — The widow of Salvador Allende, Hortensia Bussi de Allende, came home during the weekend after 15 years of exile, through the "wide open door" that she had wanted.

Mrs. Allende was overcome by emotion after her flight from Buenos Aires crossed the Andes and landed in the Chilean capital on a warm, sunny Saturday.

cal life as the leading member of the Chilean left and later as president, his wife played a secondary role, with little visibility. Their daughter Beatriz worked closely with her father and his sister Laura was a member of Congress.

Armed Forces Kill 10 Peasants In El Salvador

New York Times Service
SAN SALVADOR, El Salvador — Government soldiers rounded up 40 unarmed peasants in a village 48 kilometers from here, accused them of collaborating with leftist guerrillas and killed 10 of them Wednesday, relatives and neighbors of the victims said Friday.

Reagan, in UN Speech, Will Urge Talks on Spread of Chemical Arms

By Lou Cannon
WASHINGTON — President Ronald Reagan, in a speech to the United Nations on Monday, is to call for an international conference to seek to reverse the trend toward the acquisition and use of poison gas, administration officials say.

Iran and Iraq used chemical weapons in the Gulf War. A cease-fire in the eight-year war took effect Aug. 20.

A U.S. official said last week that the United States wanted to raise the issue at the United Nations without singling out any nation. He said that the cease-fire made this a "propitious time" for such an effort.

Peres Stresses Flexibility On Palestinian Talks

By James M. Markham
PARIS — Foreign Minister Shimon Peres says he would not worry about "the biography" of Palestinians who might negotiate peace with Israel as long as they renounced violence and accepted the existence of the country.

abandon the Gaza Strip and some sections of the West Bank for a peace accord and the refusal of Prime Minister Yitzhak Shamir's Likud bloc to contemplate surrendering territory that it regards as a religious trust.

Diocese in U.S. Elects Woman as Anglican Bishop

Washington Post Service
BOSTON — The Episcopal Diocese of Massachusetts has elected the first female bishop in the worldwide Anglican Communion and in the 450-year history of Anglicanism.

Whoops, shouts of joy and tumultuous applause rocked the sedate St. Paul's Cathedral when Bishop David Johnson told delegates that on their seventh ballot they had elected the Reverend Barbara C. Harris, a priest at the Church of the Advocate in Philadelphia, as their new suffragan, or associate, bishop.

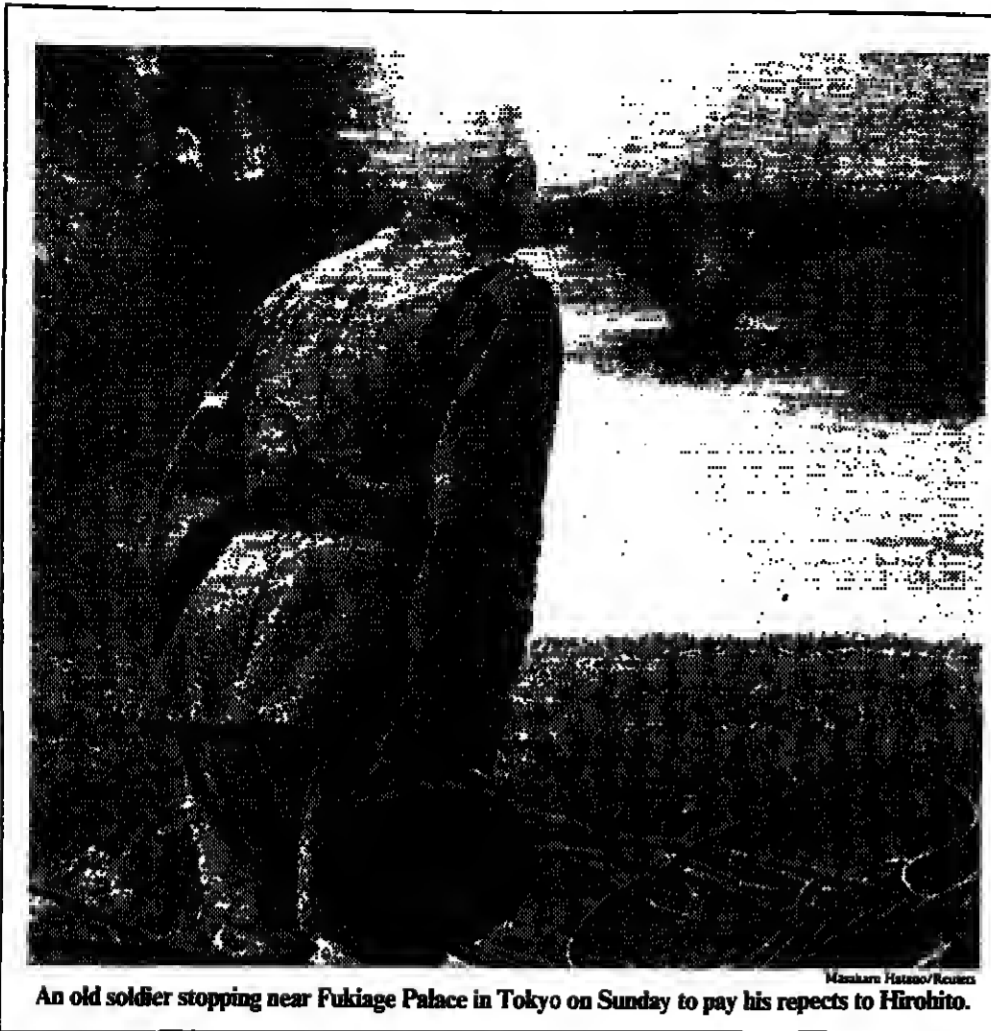
Who Is America's No. 1 Airline In Passenger Satisfaction?



Delta. Chosen The Best By Far. Delta's personal service has earned a record of passenger satisfaction unequalled by any other major U.S. airline, as defined by the U.S. Department of Transportation. Our Personal Service Is Nonstop. Better service and better connections aren't the only reasons business travellers fly Delta.

While hinting that Mr. Arafat might eventually qualify as an acceptable interlocutor, the Israeli foreign minister said that so far the Palestinians had "changed only his rhetoric but not necessarily the positions of the PLO."





An old soldier stopping near Fukiage Palace in Tokyo on Sunday to pay his respects to Hirohito.

# As Hirohito Nears Death, His People Rally to Him

By Patrick L. Smith  
*International Herald Tribune*

TOKYO — As Emperor Hirohito's condition worsened dramatically again during the weekend, many of his 122 million subjects began for the first time to deal with their complex feelings toward him and the disease from which he is suffering.

Crowds outside Fukiage Palace at the center of Tokyo started to swell as soon as periodic reports from the Imperial Household Agency, which administers the affairs of the emperor and his family, took an ominous tone Saturday morning. On Sunday they began to reform in larger numbers at dawn.

In soft but steady autumn rains, the throngs waited more than an hour to add their signatures to those wishing Hirohito a speedy recovery. Many were at a loss to explain their presence, as if they had been suddenly surprised to discover the depth of their own emotions.

Local newspapers have issued one-sheet "extras" at moments when the emperor's health seemed especially precarious. At the same time, they have continually asked in street interviews what on one in Japan seems able to answer definitively: How does this nation feel about the man who has been its symbolic head for 63 years of war, defeat, suffering and prosperity?

But beneath the indifference many Japanese profess toward the monarchy, what has now begun to emerge is a deeper sense of dependence on the emperor as a Confucian father figure, distant and not often thought of, perhaps, but central to the nation's sense of security.

"I felt a basic urge to be here as I watched the television reports," said Kamezaburo Takeuchi, a retired labor leader who traveled an hour and a half to the palace gates Sunday. "I have been a man of the left all my life, but politics don't matter at a time like this. The emperor is the head of the Japanese family."

All week, Tokyo had been a city of marked contrasts.

The somber tones of television broadcasters and the small, orderly groups that gathered at the palace gates seemed to be of another world from the interrupted bustle of the nearby business district and the rush of traffic along the wide thoroughfares that ring the imperial residence.

But such contrasts began to fade once the emperor was reported to have a dangerously high fever and emergency transfusions were being administered with increased regularity. Crowds at imperial residences around the country increased from a few thousand Friday to 80,000 Saturday and twice that Sunday.

On Sunday it was reported for the first time that Hirohito has been suffering from pancreatic cancer. For the last week he has been battling fever, high blood pressure, jaundice and near-constant internal hemorrhages; he has been fed intravenously for several days and required a respirator over the weekend to ease a sudden difficulty in breathing.

Such information has been carefully managed since the emperor's health first declined sharply last Monday. In part this policy stems from a long-standing reticence in Japan to discuss cancer openly.

More immediately, it appears to reflect the highly protective policies of the household agency, in which the presence of descendants of Japan's former nobility is strongly felt.

Having had no experience of an imperial transition in more than six decades, the government has functioned in

an evident state of confusion in recent days, worsened by the agency's efforts to sequester the palace. Even Prime Minister Noboru Takeshita, reported to be "at home reading the newspapers" for much of the weekend, seemed to be taking his cues from functionaries nominally under his cabinet's control.

Nonetheless, there are already signs that the government is likely to face some resistance in its own management of Hirohito's death and the ascendency of Crown Prince Akihito, the emperor's 54-year-old son. Much of this resistance is expected to revolve around the monarch's dual roles as a national symbol and head of the Shinto religion, which must remain separate under the postwar constitution.

Union leaders and opposition politicians in some prefectures where there is no imperial residence, for instance, have already protested about having to open public facilities at which well-wishers can offer their signatures. Political analysts also expect a debate to erupt over the continued use of the imperial calendar, according to which the current year is 63.

The *genjo* calendar, opponents argue, is one more way in which Japan's leaders are trying to keep the nation separate from the rest of the world. Nonetheless, the cabinet reportedly began earlier this week to consider the name to be attached to the era that follows Showa, as Hirohito's reign is called.

As the end of Showa draws nearer, the attitudes of young Japanese are beginning to appear less distinct from those of their parents. It is one more sign, commentators say, of Japan's ambivalence about its past and its uncertainty toward the present and the future.

"I've never believed the emperor was a god, as my father and grandfather did," said Hiromichi Hashizumi, a 25-year-old who was standing outside the palace Saturday. "But now that he is struggling with life, I recognize he has kept our nation together."

## CAMPAIGN: The Truth Is Suffering During the U.S. Presidential Race

(Continued from Page 1)

cord" rolled off the copying machines in Boston. Within 24 hours, the Bush campaign in Washington countered with a 127-page refutation of the refutation.

Mr. Dukakis said that the debt figure was misleading, that the "general obligation debt was \$3.9 billion." The \$7.4 billion figure is the level of debt authorized by the state legislature, he said, not the amount that has been obligated by the governor.

Mr. Bush's reply said that the vice president "referred to total debt outstanding," which the Census Bureau less-than-clearly defines as "all debt obligations remaining unpaid on the debt specified."

### INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

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CONSTRUCTION LAWYER	\$50,000+	One of major Int'l construction mgnt. Co's.
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LANGUAGE PROGRAM MANAGER	\$15,987	Amnesty Int'l.
ASSISTANT DIRECTOR OF REAL ESTATE		Real Estate Co.
RETAIL ARCHITECT		Real Estate Co.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neuilly Cedex, France. Tel: (1) 46.37.93.81. Telex: 613295

## SOVIET: Setbacks Noted

(Continued from Page 1)

Party officials said last week that about a third of the first 30,000 elections in factories, farms and schools had selected new leaders.

Mr. Gorbachev told the editors that the press was partly responsible for the generally slow pace of change because newspapers often accentuated problems in their coverage and failed to devote sufficient attention to success stories.

"In some speeches and publications," he said, "you almost get the idea that *perestroika* has aggravated the economic situation, thrown finances out of balance, worsened supplies of food and goods and sharpened housing and other social problems."

*Perestroika* is the Russian word most commonly used for Mr. Gorbachev's program to restructure the economy by reducing central controls, increasing incentives for workers and eliminating many of the rigid practices introduced by Stalin.

Mr. Gorbachev added, "Simply stating that 'the shelves are empty' or 'there are no goods' serves no purpose."

He said that it was unfair to hold his policies responsible for problems that had been created by previous mismanagement of the economy.

Showing an ambivalence toward press freedoms that has run through other recent speeches, Mr. Gorbachev told the editors that "we need a pluralism of opinion" but cautioned against printing material that challenged the value of socialism.

Complaining that the press had split into opposing liberal and conservative camps, Mr. Gorbachev said: "Today I can tell you exactly which letters will be published in this journal, and which in that. Group biases are appearing, and this must be overcome."

Clearly disappointed by the modest changes he has produced but determined to press ahead with his effort to break the country free from the stifling economic and political systems he inherited, Mr. Gorbachev has modified his approach in key ways in recent months.

Acknowledging that in the past he failed to follow through on programs approved by the party leadership, he has devoted considerable attention since the party conference to making sure that the overhaul of the political system approved by the delegates is carried out.

He has also spent more time trying to deal with immediate economic problems, including food and housing shortages, that have left citizens with a sour attitude toward *perestroika*.

## SHUTTLE: NASA Hopes Mission Will Fuel Program

(Continued from Page 1)

I'm not sure NASA knows where it's going to go from there."

According to most experts, the agency must determine how much it can realistically rely on the expensive shuttles and manned flight and whether it should follow the lead of the air force and concentrate on expendable rockets for nearly all launches.

The agency is pushing development of an orbiting manned station for the 1990s, but it must examine more closely how the burden of yet another expensive engineering project will affect other programs, such as space science, planetary exploration and the development of advanced technologies in robotics and propulsion.

Other policy issues will concern NASA's relationship to the more expansive military space program and decisions on whether to compete with other countries on all space fronts or to be selective and perhaps enter into more international cooperative undertakings.

A success by the Discovery could enable the United States to jump back in competition with other countries, particularly the Soviet Union and Western Europe, whose increasingly ambitious programs stole a march on Americans while the shuttles were out of action.

Of more immediate and measurable importance, a successful mission should clear the way for the resumption of regular flights.

Whatever their economic and operational shortcomings, exposed and magnified after the Challenger disaster, the shuttles are the sole means in the Western world for carrying astronauts into space, and will be for years to come.

They are indispensable for delivering to orbit an accumulating backlog of payloads critical to national security, scientific exploration and the future exploitation of space.

Four out of the first nine shuttle flights, which are planned through the end of next year, will be devoted to secret Defense Department payloads, including satellites for navigation and intelligence gathering that have been in line since the Challenger accident.

The second mission is scheduled to carry a secret military payload that Mr. Pike has said is thought to be an electronic intelligence satellite code-named *Magnum*.

Even the most optimistic forecasts of shuttle flight rates indicate that it could be late 1995 before science missions can catch up with pre-Challenger timetables.

Four major projects have been held up since 1986. They are missions to Venus, Jupiter and the sun as well as the Hubble Space Telescope. Each month of delay is adding about \$1 million to the cost of the telescope, now scheduled for a flight no earlier than February 1989.

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## GENERAL: Ignoring Qualms

(Continued from Page 1)

most, have been swept up by the spirit of civil revolt and would participate if the army did not hold them in check.

The new General Mitza is less introspective, less willing to admit doubts. He defends tough measures such as beating alleged rioters, administrative detentions, house demolitions and deportations as necessary to restore law and order.

Villages that defy the army will not be allowed to sell their harvests.

Still, now and then, sympathy for Palestinians and glimmers of doubt about the ultimate goals of his mission seem to show through.

General Mitza denounced the inability of leaders of the Palestine Liberation Organization to take steps toward political moderation and expressed the hope that West Bank residents might someday develop authentic local leaders independent of the PLO and capable of negotiating peace with Israel.

But when asked how moderate local leaders will establish themselves if he locks them up as soon as they arise he replied: "That's a good question. And I really don't have the answer."

## KUWAIT: U.S. Halts Convoys

(Continued from Page 1)

officials to alleviate Kuwaiti concern that the Gulf is a potential theater of confrontation until the peace negotiations between Iraq and Iraq get past their initial deadlock.

Though Iranian speedboats no longer harass commercial shipping, U.S. and Kuwaiti naval vessels have in recent weeks, spotted four or five mines, assumed to have been laid months ago, in the waterway. Iran announced last week that it was conducting mine-clearing operations in the northern Gulf.

The U.S. move will allow the navy to pull one of its warships out of the Gulf immediately and free several others slated for service in the Gulf over the next year, officials said.

The U.S. Navy has a task force of about 26 ships in the Gulf, including seven destroyers and cruisers, six frigates, six minesweepers and two large warehouse ships, according to one official. This number is expected to be reduced gradually and by attrition as each ship's tour comes up for rotation and it returns to its home base.

Under the new escort program, warships and minesweepers will no longer form up in straight lines to protect reflagged Kuwaiti tankers through the 550-mile (900-kilometer) water course. Under the convoy regime, Navy officials were in charge of every aspect of moving the tankers through the shipping lanes of the Gulf and out the Strait of Hormuz. Navy officials were aboard each civilian ship in the convoy.

Under the new routine, the tankers will take primary responsibility for their passage through the waterway. Navy officials said there was a "big difference" between the convoy concept and accompaniment.

"We will still be in sight of the ships being accompanied," an official said, "and if they need assistance, we will still be in shooting distance."

### INTERNATIONAL CLASSIFIED

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MONDAY, SEPTEMBER 26, 1988

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EUROBONDS

Eurobond Markets Try To Shrug Off Ambivalence

By JOHN J. DUFFY Special to the Herald Tribune

LONDON — After overcoming fears of higher inflation and rising interest rates, the Eurobond market faces a new attitude: ambivalence. London dealers say the international bond markets have gone into a holding pattern as investors wait for new economic data from the United States and elsewhere to confirm the direction of worldwide interest rates.

In the Eurodollar market particularly, investors are reluctant to make major speculative bets on dollar-denominated securities until they see the U.S. employment report for September, which is scheduled for release Oct. 7, dealers say.

There is a tug-of-war in the markets between those who think the economy is slowing down in the United States and those who think it is not, said Gillman Gunn, an economist at Banque Paribas Capital Markets Ltd. in London.

'Nobody is willing to step up and challenge the central banks at this point.'

The market's ambivalence about the U.S. economic outlook has been reflected in its reactions to recent news. The sharp narrowing in the U.S. trade deficit for July, the modest 0.4 percent rise in U.S. consumer prices in August and substantial declines in gold and oil prices have all failed to galvanize Eurodollar traders into taking concerted action.

In the foreign-exchange markets, speculators have continued to nudge the dollar higher, but have retreated hastily at the first hints of central bank intervention. The result is that the dollar remains locked in narrow ranges of 1.84 to 1.89 against the Deutsche mark, and 133.50 to 135.50 against the yen.

"There is a great deal of nervousness around," said George Maganus, an analyst at Warburg Securities in London. "Nobody is willing to step up and challenge the central banks at this point." That is fine with the central banks. Finance ministers from the Group of Seven major industrial countries met this weekend in West Berlin, and there is a perception that nobody wants to agitate the markets before the U.S. presidential elections in November.

As market participants expected, a communiqué issued Saturday from the finance ministers reaffirmed current exchange rates.

THE LACK of external stimulus presents problems for the Eurobond market. With the speculative element temporarily absent from the market, the pricing of new issues becomes critical. In such an environment, the recognizability of the borrower's name and the perceived abilities of the lead underwriter can also spell the difference between success and failure, dealers said.

"There has been no major move in the market, up or down, since the August trade numbers," said Allan Wilson, executive director at Morgan Stanley International. "So when you price, you've got to give investors some incentive and some value or you're in trouble."

An example highlighting the current situation occurred last week with the launch of two U.S. dollar Eurobond issues — one for BellSouth Capital Funding Corp. and the other for General Electric Co. of the United States.

BellSouth, a financing subsidiary of the U.S. telecommunications company, on Thursday launched a \$120 million issue of 9 1/2 percent, five-year Eurobonds via Morgan Stanley. Priced at 101 1/2, the bonds yielded a generous 48 basis points more than comparably dated U.S. Treasury issues.

The issue from BellSouth, a AAA borrower making its first offering in the Euromarkets, represented an attractive yield for a highly rated company with medium-term maturity, dealers said. As a result, the deal was snapped up and the spread over Treasury issues narrowed to 38 basis points by the end of the week.

The General Electric deal, meanwhile, "was looking a little doggy around the ears" by the end of the week, dealers said. The issue consisted of \$500 million of 9 1/2 percent Eurobonds, priced at 101 1/2 to yield 38 basis points more than similarly dated U.S. government issues.

Dealers said the issue suffered because of its pricing and also because the lead manager, Amsterdam-Rotterdam Bank NV, was not considered a major player in the Euromarkets.

"The big institutions will not buy bonds from a bank like Amro — they're just not in the flow," a dealer said. Although Amro itself dismissed the criticism, several traders estimated that the Dutch bank was left with at least 60 percent of the huge issue still on its books by the end of the week.

Traders said that since more than \$2 billion worth of dollar, fixed-rate paper had hit the market in the past two weeks, similarly pricing on many issues has led to a build-up of dealers' inventories.

Aside from the Eurodollar market, dealers said that the great- See EUROBONDS, Page 9

Airline Battle Decided

Continental Wins Key Tokyo Route

Compiled by Our Staff From Dispatches WASHINGTON — The Department of Transportation has awarded Continental Airlines what may be the most sought-after prize in the airline industry: the lucrative route between Seattle and Tokyo.

Three major U.S. airlines — Continental, United Airlines and American Airlines — have been battling for more than a year over the route, held by United for the past six years.

The Department of Transportation reluctantly awarded the route to Continental late last week, having been told by the Department of Justice not to appeal a court decision directing that outcome.

United Airlines said it would ask for reconsideration of the decision. Unless that last-ditch effort succeeds, Continental is the winner in a hard-fought contest for the door into the rapidly growing Pacific market.

Flights to Tokyo include many business travelers who generally pay full fare, and Japan is the second largest market for overseas travel from the United States, second only to Britain.

"Anybody and everybody is interested in a West Coast gateway to Asia," said Edward Starkman, an industry analyst for PaineWebber Inc.

The route proceedings had become a major high-stakes sideshow in the airline industry. At one point the chairman and chief executive of the three airlines came to Washington to argue on behalf of their companies.

Northwest Airlines, which also offers Seattle-Tokyo flights, will provide the major competition for Continental. Japan Air Lines also flies the route.

An analyst questioned whether Continental could make money on the route, because it does not have the right to carry passengers beyond Tokyo to other Asian destinations. Both Northwest and Japan Air Lines have extensive connections in Asia.

"This will take a big investment at a time when Continental's cash See AIR, Page 12



Finance ministers of the Group of 24 developing countries opening their conference in Berlin.

Poorest Nations Avoid Debt Drama

Tame G-24 Statement Dismays Latin American Officials

By Carl Gewirtz International Herald Tribune

BERLIN — The world's poorest nations issued a relatively tame statement on debt over the weekend that privately dismayed officials from the most heavily indebted Latin American states.

Tame or not, proposals on what further steps the international community can take to relieve some of the burden of the existing \$1.2 trillion stock of developing-country debt will be a feature of the joint annual meeting of the International Monetary Fund and the World Bank, which opens here this week.

The fund's policy-making Interim Committee met here Sunday with numerous proposals for relief up for discussion.

At the plenary sessions starting Tuesday, officials said, Japan intends to put forward a proposal designed to recycle a part of its annual trade surplus to debtor countries.

Complete details of the plan have not been revealed, but the Canadian finance minister, Michael Wilson, said that "to the extent that it's new money, consistent with IMF plans" for the debtor country, "the Japanese plan could be quite positive. They have the financial capacity to do it."

Mr. Wilson added that proposals for "general relief of debt, or for a substantial take-out by governments of debt held by banks, are solutions that under today's circumstances would not work, if they ever would."

The most controversial element in the long communiqué from the Group of 24, which represents the 77 poorest countries, said ministers "insisted that debt service should be limited to a percentage of export earnings" that is "compatible with the development needs" and economic and social requirements of each country.

IMF Reports 'Resilience' in World Economy

By Reginald Dale International Herald Tribune

BERLIN — The world economy has shown "remarkable resilience" since October's stock market collapse and is growing much faster than expected, the International Monetary Fund said Sunday in its latest World Economic Outlook.

But the report said progress had been uneven and "important uncertainties" persisted.

In particular, fund officials said at a briefing on the report that they were puzzled over why poorer and heavily indebted developing nations had not shared fully in the prosperity of the richer countries.

And in the industrialized world, the report said, key questions remained over the possible re-emergence of inflation and the extent to which financial markets would be willing to finance the continuing external deficits of the United States at existing interest and exchange rates.

The seven major industrialized countries — the United States, Japan, West Germany, France, Britain, Italy and Canada — were now expected to grow by an inflation-adjusted 4.5 percent this year, against 3.9 percent for the industrialized countries as a whole, the report said.

The United States is expected to grow by 4 percent in 1988, the strongest rate since 1984, and Japan by more than 5.5 percent.

Some of the factors behind the recent spurt of growth, however, were temporary, the fund said, and expansion is likely to moderate during the period ahead, with growth in the industrialized countries declining to 2.8 percent next year.

Demand is likely to be dampened by the recent round of interest-rate increases in most of the industrialized countries, the report said.

Such a moderation, however, "would help to prolong the expansion since it would reduce the risk of overheating and thus help avoid

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OPEC Officials Discuss Excess Oil Production

Compiled by Our Staff From Dispatches

MADRID — Key ministers from OPEC nations assembled in Madrid over the weekend for new talks on the excess output of oil that has created a glut and threatens to collapse prices.

The five-man pricing committee is empowered to summon a full emergency conference of the 13 nations that belong to the Organization of Petroleum Exporting Countries to consider members' violations of their assigned output quotas. But few industry analysts said such a full session was likely.

A call for an emergency meeting would raise market expectations for decisive action that, if dashed, might send prices down even more steeply.

The committee, which includes the oil ministers of Algeria, Saudi Arabia, Venezuela, Indonesia and Nigeria, as well as the OPEC secretary general, Subroto, began talks Saturday but took steps to avoid drawing public attention.

The ministers adjourned Sunday evening with plans to meet again Monday at an undisclosed time.

Weak oil prices have eased fitters lately about a return of inflation in the United States and other industrial nations. But bankers say further declines may do serious damage in debt-laden Third World oil exporters like Nigeria and Venezuela.

U.S. oil prices could tumble as low as \$12 a barrel by late November if the price committee fails to make headway in developing a credible plan to cut output, oil industry analysts said.

Sources close to OPEC said members of the committee wanted to meet quietly to avoid any action that might raise false hopes in the market of major decisions.

Traders said that after this meeting, the oil market's focus will turn to the Nov. 21 biannual meeting of all OPEC ministers.

"The market will not be impressed with anything short of an emergency meeting," said Jim Steel, an analyst at Refco Inc.

The pricing committee meeting started after the U.S. benchmark crude, West Texas intermediate, finished 47 cents lower Friday at \$14.18 a barrel for November delivery.

A key problem for OPEC is the violation of cartel quotas by members.

Iraq refused to go along with its quota of 1.54 million barrels a day during the war with Iran, and demanded a share equal to the Iranian level of 2.37 million barrels a day.

But analysts say Iraq has been pumping well above that, averaging about 2.7 million barrels a day. Iran's output, they say, is running about 1.9 million barrels a day.

(Reuters, AFP)

Toronto to Aid 6 Companies In Oil Project

United Press International

FORT McMURRAY, Alberta — The governments of Canada and the province of Alberta have announced an agreement with a consortium of six Canadian oil companies to begin development of a giant \$3.28 billion (4.1 billion Canadian dollar) oil sands project.

The project, which will not produce oil until 1996, is expected to eventually produce about 75,000 barrels a day of synthetic crude oil. The Alberta government said the deal will be profitable if oil prices exceed \$20 a barrel.

The two governments will provide \$680 million for the development, planned for northeastern Alberta. Members of the consortium include the OSLO consortium (Other Six Leases Operation), will put up more than \$2.4 billion.

OSLO includes Esso Canada Resources Ltd., Canadian Occidental Petroleum Ltd., Gulf Canada Resources Ltd., PetroCanada, PanCanadian Petroleum Ltd. and the Alberta Oil Sands Equity Co.

Efforts to get the two countries to agree on set levels will likely be hindered by their desire to raise money for reconstruction projects through oil sales.

The United Arab Emirates also has been ignoring its quota of 948,000 barrels a day. That nation's oil minister, Mansour bin Otaiba, was quoted last week as saying the Emirates "fixed and firm" quota was 1.5 million barrels a day.

Riwayan Lukman, the president of OPEC and the Nigerian oil minister, said in Singapore that OPEC production is running about 19 million to 19.5 million barrels a day.

In June, the cartel extended an accord to limit output to 15.06 million barrels a day until the end of the year. That ceiling excluded Iran, however.

The Monthly Oil Market Report of the International Energy Agency in Paris estimated that OPEC's crude production in August was 19 million barrels a day, which was the highest level of the year.

The members of OPEC are Algeria, Ecuador, Gabon, Indonesia, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

(Reuters, AFP)

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Currency Rates

Table with columns for Currency, Par \$, and various exchange rates for major currencies like the British pound, Japanese yen, and Swiss franc.

Forward Rates

Table showing forward rates for various currencies, including 30-day, 60-day, and 90-day rates.

Stock Indices

Table listing stock indices for the United States, Japan, and Europe, with values for Sept. 23 and Sept. 16.

Money Rates

Table showing money market rates, including discount rates, federal funds rates, and call money rates.

World Index

Table showing world index values from Morgan Stanley Capital Int'l for various regions and dates.

World Index from Morgan Stanley Capital Int'l







New International Bond Issues

Compiled by Laurence Deville

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

World Bank Sets Package Of Loans for Argentina

BERLIN — Argentina won a breakthrough in its bid for more money for its debt-laden economy with a \$1.25 billion World Bank package announced here on Sunday.

LATIN: Poorest Nations Avoid Tough Talk on Debt

(Continued from first finance page) The demand for debt relief that, in their view, must be accompanied by additional new lending.

DOLLAR: Group of 7 Aims for Stable Exchange Rate

(Continued from page 1) However, the mutual satisfaction among the seven on interest rate policy was not shared by the heavily indebted developing countries, whose loan charges rise about \$3.25 billion for every percentage-point increase in money-market rates.

Conference officials said that the United States and Japan would choose to extend the repayment period, Britain and West Germany to reduce interest rates, and France to reduce payments.

EUROBONDS: Uncertainty Poses Market Dilemma

(Continued from first finance page) The most successful Canadian dollar issue last week was a 75 million Canadian dollar (\$61.4 million) offering of 11 percent, five-year Eurobonds for Coca-Cola Bottling System of Canada that was launched by Union Bank of Switzerland (Securities) Ltd.

Bonds Slip as Market Turns Bearish

By Phillip H. Wiggins New York Times Service NEW YORK — Credit markets have adopted a more bearish outlook because of fears of excessive economic growth after the most recent U.S. report on durable goods orders and in anticipation of higher U.S. credit markets employment figures for September, analysts say.

U.K. Role In EMS Critiqued

BRUSSELS — The Italian trade minister has asserted that Britain has taken advantage of the European Monetary System without having to follow its rules.

National Bank of Hungary (Magyar Nemzeti Bank) Budapest. Advertisement for 6 1/2% Bonds of 1988/1995, including details on interest rates and issuing dates.

Gold Group Requests Probe

LONDON — The British mining giant Consolidated Gold Fields PLC said Sunday that it had asked the government to investigate dealings in its stock before news last week of a South African-backed takeover bid for it.

U.S. Consumer Rates table with columns for Rate, Index, and Source.

SAVE & PROSPER BALANCED FUND. Société d'Investissement à Capital Variable. 2, boulevard Royal, Luxembourg.

BANQUE DE L'UNION EUROPEENNE. FRENCH FRANCS 1,000,000,000. FLOATING RATE BONDS. Interest rate indexed on the PARIS INTERBANK OFFERED RATE.







NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Main table containing NASDAQ National Market data, including columns for stock symbols, prices, and volume. It is organized into multiple columns and includes sub-sections like 'Continued' and various market indices.

Chicago Exchange Options

Table of Chicago Exchange Options data, showing various option contracts, their prices, and trading volumes. Includes sub-sections for different types of options and market conditions.

Large advertisement for Daewoo featuring a black and white photograph of a Daewoo ship and the slogan 'DAEWOO THAT'S WHO!'. The text describes Daewoo's expertise in high technology manufacturing, including shipbuilding and heavy machinery.



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Trading was slow last week in Amsterdam, where a new trading floor was officially inaugurated on Thursday.

Frankfurt

Stocks gained during a week marked by generally strong demand from foreign investors.

Treasury Bonds

Table with columns: Maturity, Bid, Ask, Yield, % Chg. Includes data for 31.12.89, 15.05.91, 15.11.91, 15.02.92, 15.07.95, 15.02.98, 15.05.18.

Hong Kong

Share prices remained virtually unchanged during the week. The Hang Seng index shed 4.44 points to 2,454.38.

London

Stock prices fluctuated last week in quiet trading. The Financial Times industrial index rose 24.3 points to 1,446.8.

Milan

Shares continued to rise last week, and the Comit index finished at 536.48 points.

Lively trading resulted in good gains for some stocks. In the insurance sector, Generali rose 1.79 percent for the week.

Paris

The CAC index finally regained the level reached just before the stock market crash last October, closing at 370.7 points Friday.

Singapore

Shares continued to slide in trading in the past week. The Straits Times industrial index dropped 31.22 points to 1,033.71.

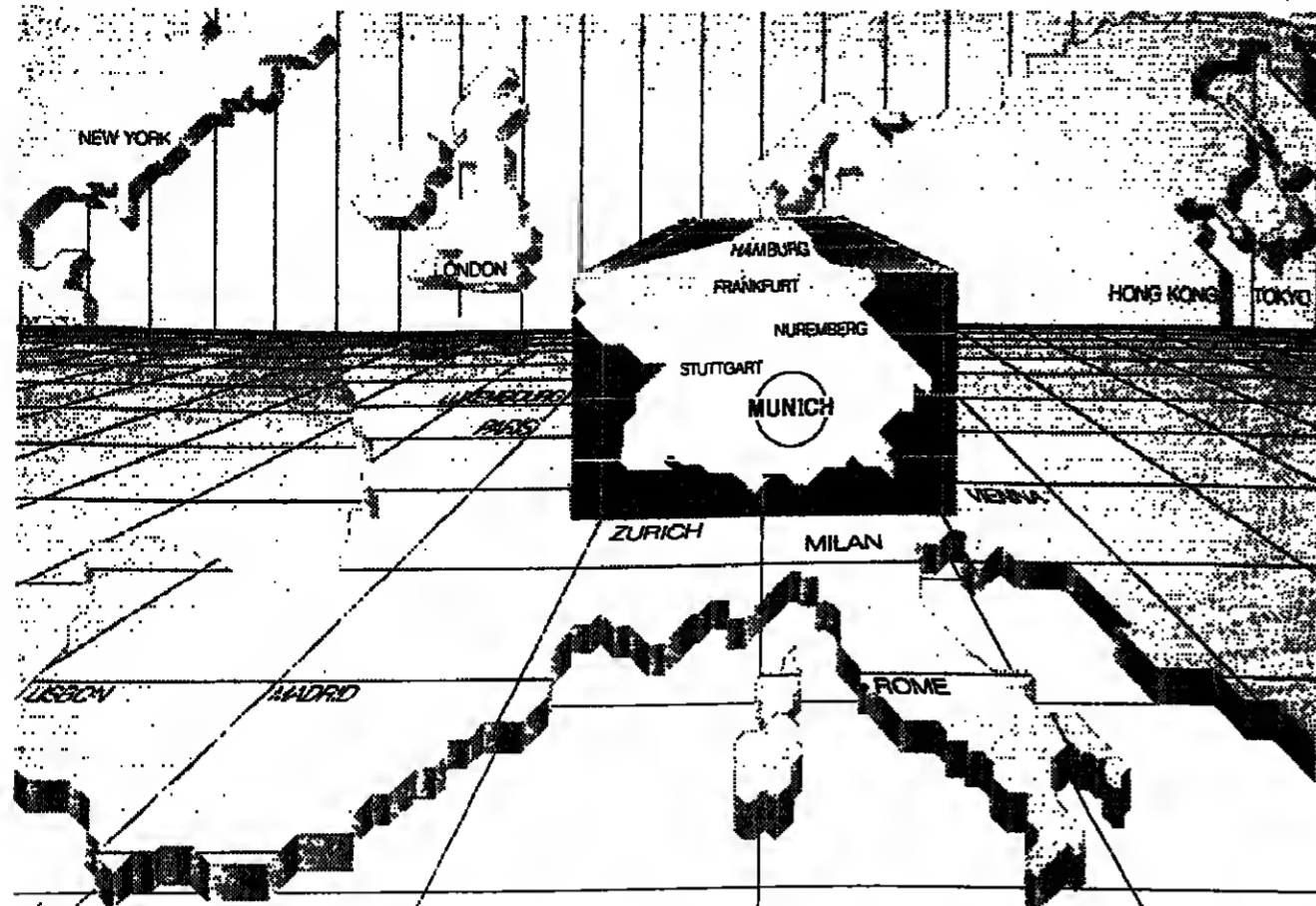
ished at the top of the most active list on volume of about 2.7 million units.

Tokyo

Share prices on the Tokyo Stock Exchange fell amid concerns about Emperor Hirohito's health.

Zurich

An average of 793.6 million shares a day were traded, down from 931.73 million shares the previous week.



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Advertisement for 'bilanz' magazine featuring a portrait of a man and the headline 'Die Leiden kommen noch'.

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Wall Street Review

Table with columns: NYSE Most Actives, AMEX Most Actives. Lists stock symbols and prices.

Table with columns: NYSE Sales, AMEX Sales, NYSE Divides, AMEX Divides. Shows trading volume and dividends.

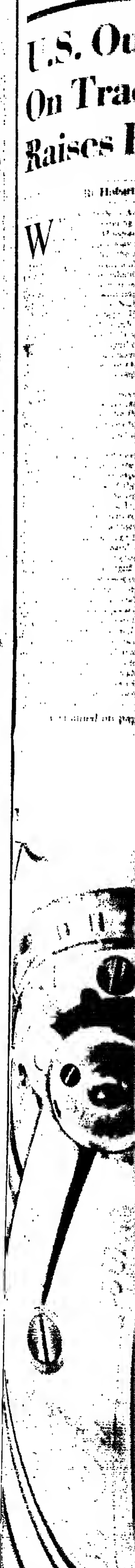
AIR: Continental Gets Key Route

Continental, which is owned by Texas Air Corp., has about \$160 million in cash, Mr. Sylvester said, and is showing losses on some routes.

American Exchange Options

Large table with columns: Option & price, Calls, Puts. Contains detailed option market data.

Advertisement for wine featuring a bottle and the text 'For special occasions. Like today.'





# World Economy: Growth Strategies

## U.S. Outlook On Trade Gap Raises Hopes

By Hobart Rowen

WASHINGTON — As the key players gather for the annual joint meeting of the World Bank and the International Monetary Fund in West Berlin, global economic policy may be at a crossroads.

There is little doubt that the major nations — led by the United States, West Germany and Japan — have made significant strides since 1985 in reducing their horrendous external balances, exemplified by a reduction in the July trade deficit of the United States to its lowest level in three and a half years.

The new treasury secretary, Nicholas F. Brady, told a Senate confirmation hearing on Sept. 13 that the world would be amazed at the speed with which the U.S. trade deficit goes down, once the process was fully under way.

Where already has been a significant decline in the deficit, in real terms, aided by sustained economic growth, lower rates of inflation and a better record of exchange rate stability — the result, at least in part, of the Group of Seven economic coordination process.

"We are going to be able to point to significant progress in Berlin," a senior administration official said. And a top IMF executive perhaps set the tone for the annual meetings when he said that global economic activity had so far exceeded expectations in 1988 that "we can't expect to have much better years in the future."

But despite Mr. Brady's optimistic assessment — possibly colored by the requirements of the U.S. electoral process — most observers in Washington expect that there will not be significant further reductions of the international imbalances unless there is not only a strengthening of the G-7 process, but a dramatic further reduction of the U.S. budget deficit.

At each of the last four Western economic summit meetings, the United States' trading partners pleaded with President Ronald Reagan to reduce the huge budget deficit as a way of diminishing extraordinary demand by American consumers. The recipe prescribed was slower growth for the United States.

Mr. Reagan readily acknowledged the need for reducing the U.S. deficit, demanding at the same time that the other powers, notably Japan and West Germany, stimulate their own growth domestically. This formula was endorsed by the IMF, the Organization for Economic Cooperation and Development and the Bank for International Settlements in Basle.

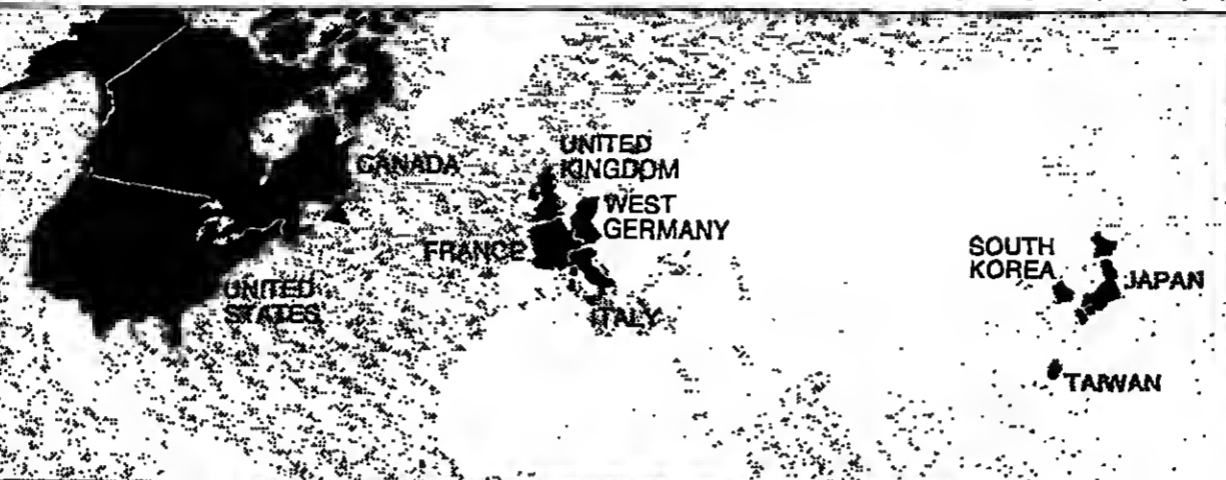
But in fact, progress was slow until the October 1987 crash. The U.S. Congress had little real incentive to slash spending, and West German authorities preferred a slower rate of growth to the dangers, as they saw it, of stimulating inflation. Japan, however, responding to a steadily higher rate of the yen, made good progress in stimulating its domestic economy.

But the crash concentrated the attention of all major policy makers. In West Germany and Japan, the governments carried

Continued on page 14

## Growth in Major Industrialized Countries

OECD activity grew by 3 percent in 1987, and expansion is expected to continue with only a moderate loss of momentum this year and next. (Figures show percentage change from previous year)



Country	1985	1986	1987
<b>Canada</b>	4.3	4.0	3.9
<b>United Kingdom</b>	3.6	6.1	4.5
<b>West Germany</b>	2.0	2.2	1.7
<b>South Korea</b>	5.4	3.2	12.0
<b>Japan</b>	4.9	2.1	4.2
<b>United States</b>	3.0	3.5	2.9
<b>France</b>	1.7	5.8	1.9
<b>Italy</b>	2.9	6.1	3.1
<b>Taiwan</b>	5.1	-1.3	11.0

## Asia Aims for More Self-Reliance

By Patrick L. Smith

TOKYO — As the United States and major European nations edge toward a period of slower economic growth next year, East Asia is once again bracing for the ripple effects that will undoubtedly extend throughout the region.

Southeast Asian economies, for instance, are likely to see expansion of 5 percent or so in 1989, compared with rates of 6 percent or higher this year; in South Korea, the econo-

my is generally forecast to grow 7 percent, compared with a torrid 12 percent in the current year.

This is hardly surprising: The United States still constitutes the region's largest single market, absorbing 35 percent to 40 percent of exports from most Asian economies, as it has for many years. European nations loom almost as large.

Nonetheless, the talk among economists, bankers, industrialists and government officials in Asia is no longer dominated by the undertones of frustration that come with heavy reliance on advanced markets over

which distant dependents can exert little control.

Rather, what has become increasingly apparent in the region this year are its growing self-reliance, its expanding role in the global economy and the sustainability of growth at impressive levels even if the pace of expansion is reduced elsewhere.

In large measure, these developments are the result of the transitional period that Japan entered when the yen began to appreciate markedly several years ago — its in-

Continued on page 14

## Pendulum Swings To Optimism

It has become fashionable to suggest that the world may be entering a new era of growth.

By Reginald Dale

PARIS — In just under a year, prospects for world economic growth have brightened so appreciably that many international analysts have swung all the way from prophesying doom to warning of the dangers of complacency.

The International Monetary Fund, which holds its annual meeting in West Berlin this week, is now forecasting 3.9 percent growth in the industrialized countries this year, more than a full percentage point higher than the 2.8 percent it predicted as recently as April.

A similar upward revision is expected in the coming weeks from the Paris-based Organization for Economic Cooperation and Development, which put the figure at 3 percent in June.

Many private economists, some of whom were warning of global recession after last October's stock market collapse, now believe that the world economy, currently in its sixth year of expansion, will get away with a slowdown next year and then resume a steady upward path.

The prevailing mood among economic commentators has changed dramatically in a matter of a few months. Almost overnight, it has suddenly become fashionable to suggest that the world may again be entering a period of relatively uninterrupted economic growth, comparable to the "golden age" of the 1950s and 1960s, which was hitherto widely thought to be unattainable.

The long-held view that the world was condemned to slow, even diminishing growth rates for the foreseeable future is "out of date," said J. Paul Horne, Smith

Barney's Paris-based international economist.

And the surprising new optimism appears to have come about despite the absence of a coherent new growth strategy among the leading industrialized nations. In fact, some economists say, the improved outlook makes the adoption of such a strategy less necessary.

"With growth at a satisfactory level, there are no longer such discussions as there were a year or two ago about which country is meant to be doing what," said Brendan Brown, chief economist at London's County NatWest investment bank.

With Japan and West Germany expanding faster, Washington is no longer berating Bonn and Tokyo over their slow growth. "It is no longer a case of the United States versus Europe or Japan," Mr. Brown said.

The main outstanding argument is between Paris and Bonn, with the French government still insisting that West German growth is inadequate. But few observers expect the French plea to cut much ice in West Germany, where the economy expanded at its fastest rate since 1980 in the first half of this year.

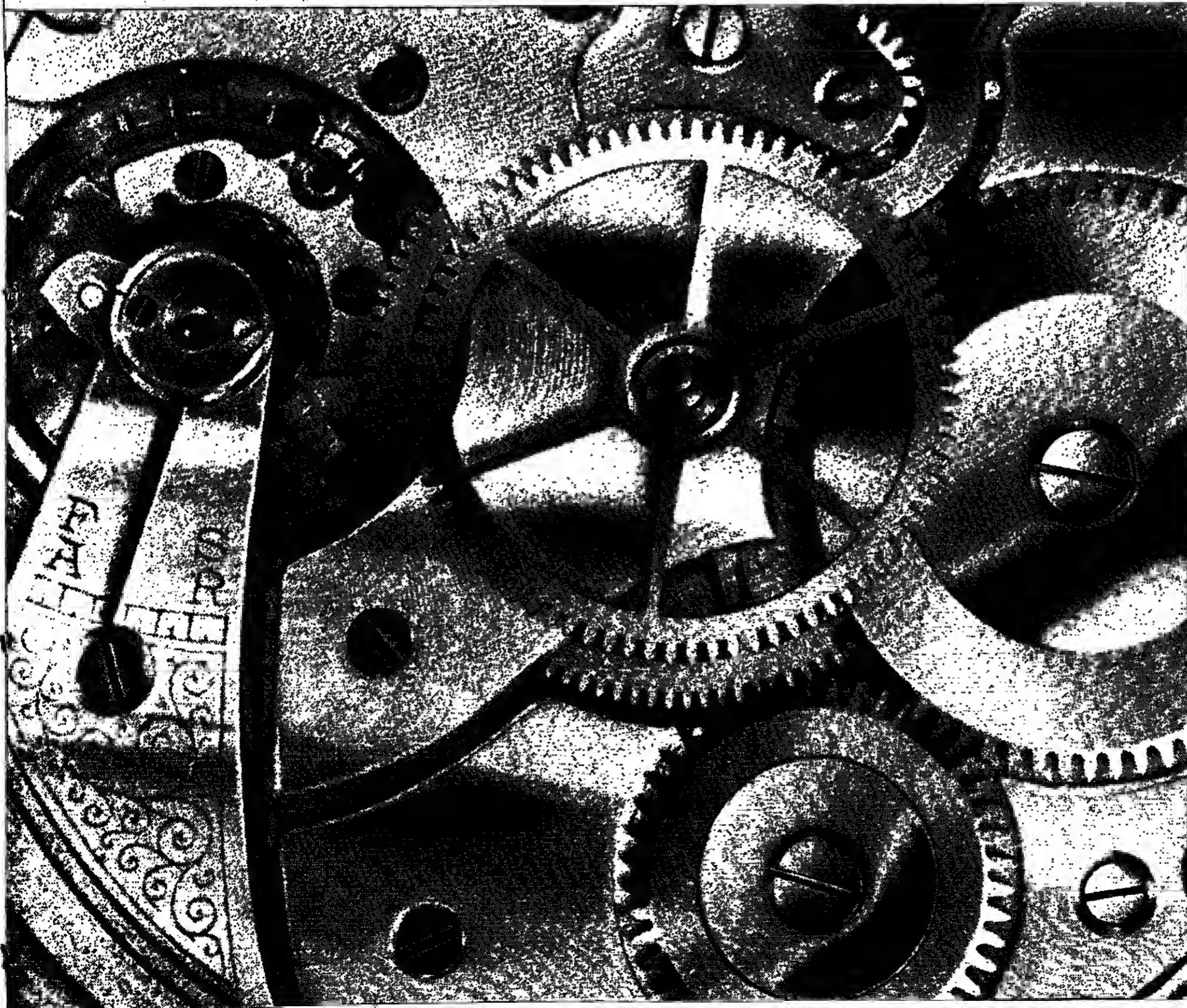
The major change, many economists say, is that governments, with the possible exception of West Germany, are less worried about inflation than they have been at any time in the 1980s.

"There is no longer a concerted objective of beating inflation at any cost, because most people think it has been beaten," said Richard O'Brien, chief economist at American Express Bank in London.

"The pendulum of economic opinion has swung away from the monetarist obsession of dealing with inflation as the

Continued on page 14

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Europe At A Glance

Knowledge Yields

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Westle



# Deficit Outlook Raises Hopes

Continued from page 13

forward commitments that had been made at the Venice economic summit — four months before the crash — to boost their economies.

In the Group of Seven's statement of Dec. 22, 1987, finance ministers and central bankers renewed the pledge of the Louvre Accord exactly 10 months before that "the major external imbalances in the world economy must be corrected."

In the United States, the president and Congress were galvanized into a two-year budget accord that placated markets with at least some cosmetic savings, leaving more specific legislation until 1989 after the election. With the help of an expanding economy stimulated by tax reform, the annual budget deficit was shaved by about \$70 billion — from \$220 billion last year to \$150 billion this year.

But an extraordinary consensus across party lines is building in the United States that the next president must carry this process much further.

Shafiqul Islam, a Council on Foreign Relations economist, said, "Over the last four years, Americans have been spending 3 percent more than they have been producing. . . This persistent over-spending essentially reflects overconsumption. In other words, Americans have boosted the growth in their living standards in the 1980s with borrowed money."

But that kind of issue is impossible to debate intelligently during a national election campaign. Neither George Bush nor Michael S. Dukakis has made a specific commitment on how he would reduce the budget deficit, even though both acknowledge, in almost identical words, that the deficit is "the

most important economic issue" they would face if elected.

"The fiscal deficit problem of the United States is unresolved, and action awaits a new administration," noted Horst Schulmann, managing director of the Institute of International Finance Inc. in Washington.

In an interview with Washington Post reporters and editors, Mr. Bush said he would call an immediate summit meeting with Congress to work out a specific budget-balancing program over a four- to five-year period. Mr. Dukakis said the same thing.

Both recognized, in explicit terms, that their credibility with international financial markets would depend largely on the speed and precision with which they approach this problem.

There is one significant difference: Mr. Bush has forewarned, in language even stronger than Mr. Reagan's, any reliance on tax increases. He has called for a "flexible freeze" on spending, counting on an average of 2.5 percent real growth for the next five years, and a 2-point drop in interest rates to bring about a budget balance by 1993.

Mr. Dukakis, while stressing — like Mr. Bush — that the first priority will go to reducing expenditures, concedes that there may, "as a last resort" have to be a tax increase.

As Rimmer de Vries, a Morgan Guaranty Trust Co. economist, has observed, the Bush flexible freeze, without a tax increase, would require annual spending cuts, in real terms, of about 1.5 percent. "A spending stringency that strains credulity."

"It, therefore, must be recognized that flexibility is needed on both taxes and spending if there is to be any chance of developing a prudent and credible budget strate-

gy and policy package for the next four years," Mr. de Vries said.

In its first few months, a new administration may also have to make decisions on Third World debt strategy. Three years ago at the IMF meeting in Seoul, former Treasury Secretary James A. Baker 3d put forward the Baker Plan as a new strategy to solve the crisis.

Not mere austerity, but the need for economic growth, was Mr. Baker's prescription for getting the Third World, especially the big Latin debtors, out of their morass. The way to do it, he said, was by economic reforms among the debtors, in return for which they would get more loans from the World Bank, the IMF and the commercial banks.

Mr. Baker's initiative was important because it recognized that an overly rigid IMF approach was not working and might well lead to social chaos. But there is increasing recognition, even among those who have opposed debt relief, that some form of organized debt reduction — backed by government money — is likely to be necessary to alleviate the grim Third World conditions, especially in Latin America. On a lesser scale, the major powers are now committed to writing down or stretching out the official debt load in Africa.

As a blue-ribbon committee of bankers and financiers led by a former New York Federal Reserve Bank president, Anthony Solomon, said, "six years into the debt crisis, the goal of 'normalizing' relations between debtor countries and the banks has yet to be reached. In the eyes of financial markets, nearly all the countries that have rescheduled their debt since 1982 remain uncreditworthy."

The Solomon group faulted the IMF and the World Bank for resisting "the trend toward flexibility



Nicholas F. Brady

and the search for innovative solutions to the debt problem."

In fact, both the IMF and the World Bank have been seeking ways of going beyond the Baker Plan, but have been inhibited by Mr. Baker's resistance — especially during this election year — that would add to taxpayers' liabilities.

But there is a growing interest, especially at the IMF, in a Japanese initiative first aired at the Toronto summit meeting. Even though details are sketchy, Japan appears willing to invest its own capital, through the IMF, to support an exchange of old commercial bank loans for long-term bonds.

So far, the U.S. Treasury has resisted any debt relief approach that involves — as Mr. Baker liked to put it — "taxpayer money." It also has resisted the notion floated by the Institute for International Economics of "exit bonds" that would be guaranteed by the World Bank.

ROBERT ROWEN is a senior writer and columnist for The Washington Post, specializing in international economic matters.

# Optimism Becomes the Keynote

Continued from page 13

first priority, which was the outcome of the two oil shocks of the 1970s," said Christopher Johnson, chief economic adviser to Britain's Lloyds Bank.

Governments obviously still do not want inflation to get out of hand. And so, said Mr. Horne, it is a "happy coincidence" that the recent strength of the dollar has enabled other central banks to raise interest rates, diminishing inflationary expectations, without having to worry about the impact on their currencies.

At the same time, Mr. Horne said, the foundations of further growth are being laid by high levels of capital investment, particularly in Western Europe, where business confidence is at an all-time high.

Exports of all the major countries have been significantly stronger than expected in recent months, demand has continued to grow throughout the industrialized world, and world trade could grow by a surprisingly high 7 to 8 percent this year, he added.

Against this background, the IMF is now forecasting 4 percent growth this year in the United States, the highest since the peak year of 1984, following a strong rise of 3.4 percent in 1987. And many economists now believe that while U.S. growth will slow down next year, the once-feared recession will be avoided.

After a phenomenal spurt in the first quarter of this year, Japan's growth contracted in the second quarter. But it should reach more than 5.5 percent this year, according to the IMF's figures, slowing to a still rapid 4.2 percent in 1989.

The biggest surprise, however, has been the unexpectedly strong performance of Western Europe, long regarded as the laggard among the industrialized economies, where growth prospects have sharply improved in both France and West Germany in recent months. Private forecasters expect overall European growth of a healthy 3 percent this year. Even hitherto staid West Germany could reach the 3 percent mark, much higher than previously expected, they say. France has just predicted that its growth should top 3 percent this year and decline to a still respectable 2.6 per-

cent in 1989, also exceeding earlier expectations.

In a reversal of the notoriously unsuccessful attempt to make West Germany the "locomotive" of world economic growth in the late 1970s, other faster-growing areas of Western Europe, such as Britain, Spain and Scandinavia, are now pulling along West Germany, some economists say. Britain, though, is widely believed to be growing too fast and risking trouble as the brakes are applied.

Elsewhere in the world, the picture is more patchy. While most of East Asia continues to grow strongly, Latin America remains largely stranded in what has been termed its "lost decade," the 1980s. But for the developing countries as a whole, the IMF forecast of 3.5 percent growth this year, rising to 4 percent

take early and decisive action to reduce the U.S. budget deficit.

And in Europe, there are continuing fears that even the current higher rates of growth will not make enough impact on the massive unemployment that most countries have accumulated in recent years.

Analysts like Mr. Horne also fear that rapid growth will soon bring the United States and most major countries up against their capacity limits, leading to higher wage demands and increasing inflationary pressures over the next six to 12 months. There could also be "a nasty surprise" from oil prices, he warns.

Despite the uncertainties, however, many private economists now tend to share the newly fashionable rosy view that the world economy has emerged from the shocks and gyrations of the 1970s and may be entering a period of rapid and sustainable growth.

"The only international shock people still talk about, at some future distant date, is an oil shock some time in the 1990s," said Mr. Johnson of Lloyds Bank.

"The world economy keeps growing," said Mr. O'Brien. "There are gloomsters who believe we're on the edge of a depression. But if you don't buy that, the prospect is for a modest slowdown followed by an upturn."

Provided nothing dramatic interrupts that process, Mr. O'Brien and other economists say, the world could resume its "easy ride," of the 1950s and 1960s.

"There is a great deal of supply-side stimulus in the pipeline, particularly in Western Europe," said Mr. Johnson. He pointed to plans for the single European market after 1992, the abolition of subsidies and reduced state intervention in public purchasing.

It will not be quite the same as in the immediate post-World War II decades. "We can't go on shifting resources out of agriculture at the same rate as in the 1950s and 1960s," said Mr. Johnson.

The growth rate will thus not be quite so fast as it was in the "golden age." But, Mr. Johnson said, "people will now happily settle for 3.5 to 4 percent annual growth in most countries, against the 5 to 6 percent of the 1960s."

REGINALD DALE is the International Herald Tribune's economic correspondent.

The world could resume its 'easy ride.'

next year, would be considered a relatively good showing by most Western economists.

Nevertheless, the fund says in its annual report, "there is no room for complacency." It points to the continuing need to restore growth, and credit-worthiness, in the developing world, and to strengthen the process of correcting the large imbalances that remain between the industrial countries.

Private economists warn that Western Europe may still not be growing fast enough, and the United States too fast, to reduce the American trade deficit as quickly as the international financial markets are likely to demand.

In the United States, all predictions have to be qualified by uncertainty over the policies of the new administration due to take office in January. There is no guarantee that the recent stability of the dollar will continue next year, particularly if the new administration does not

# Asia Aims for Self-Reliance

Continued from page 13

creased ability to absorb imports, the shift of its labor-intensive industries offshore and its larger role as a source of investment capital.

But apparently permanent structural change has not been limited to Japan. Throughout the region, dynamic new relationships are being forged among Japan, the newly industrialized countries, or NICs — South Korea, Taiwan, Hong Kong and Singapore — and the nations of Southeast Asia.

"The openness of the U.S. econ-

omy, especially to manufactured goods, has played a major role in the export success of the NICs and other nations in Asia," said Stephen M. Taran, a senior analyst for Asia at Moody's Investor Service. "But with the structural transformation of Japan, the importance of the Japanese economy for the rest of Asia is visibly larger than it ever has been."

Signs of the phenomenon are abundant: Exports from the NICs to Japan are currently growing at a rate of almost 45 percent, far surpassing growth in sales to the United States. Exports to Japan from

Southeast Asian nations, in turn, are also beginning to increase rapidly, although at a somewhat slower pace.

Equally, trends apparent in Japan only a few years ago have spread quickly to the NICs, further enhancing the region's tendency toward "horizontal specialization, as a division of labor more politely called."

In the first eight months of this year, according to South Korean officials, no fewer than 23 foreign missions have traveled to Seoul in search of investment capital and technology; most were from Southeast Asia. In Thailand last year, Taiwan replaced the United States as the second-largest source of investment capital behind Japan.

The consequences of such developments are wide-ranging. But among the most significant is the boost currently being given to the industrialization process in Southeast Asia.

Japanese investment in the NICs, chiefly South Korea and Taiwan, surged dramatically in the first two years following the start of the yen's appreciation. But Japanese manufacturers have now shifted attention primarily toward Southeast Asia, chiefly because wage gains and appreciating currencies in the NICs have reduced their advantages as export platforms.

Thailand has been the outstanding beneficiary in Southeast Asia. Indeed, Japanese investment, which went from just over \$50 million annually in 1986 to almost \$400 million this year, has been a key factor in advancing Thailand toward its graduation into "fifth NIC" status.

The potential benefits of an increased Japanese presence have encouraged a number of countries to recognize that long-standing regulations governing foreign investment have discouraged capital inflows and make adjustments accordingly.

In turn, the relocation of Japanese industrial facilities in Southeast Asia is likely to open the Japanese market further to Southeast Asian manufactured goods, especially in cases where a Japanese brand name is involved.

As for the NICs, it has become increasingly apparent in recent months that they can no longer be excluded from efforts by the United States and Japan to correct the former's trade imbalance across the Pacific. But while their merchandise surpluses with the United States have grown dramatically since 1986 — reflecting the gains they made after the yen began to climb — economists are increasingly optimistic that the United States will find these surpluses less intractable than Japan's has proven to be.

For some analysts, the current strength of the East Asian economies is not yet sufficiently established to withstand a recession of significant proportions in the United States. Particularly if it is accompanied by a downturn in demand in Japan, a U.S. recession would again reveal the relative immaturity of most East Asian economies.

"Structural transformation is important and will be increasingly understood to be so," said Marc Faber, managing director of Dresdner Bank's Lambert Ltd. in Hong Kong. "But when recession comes, these nations will resemble high-performing stocks in [a] market that turns bearish — they will suddenly be the weakest."

PATRICK L. SMITH is a Tokyo-based correspondent for the International Herald Tribune.

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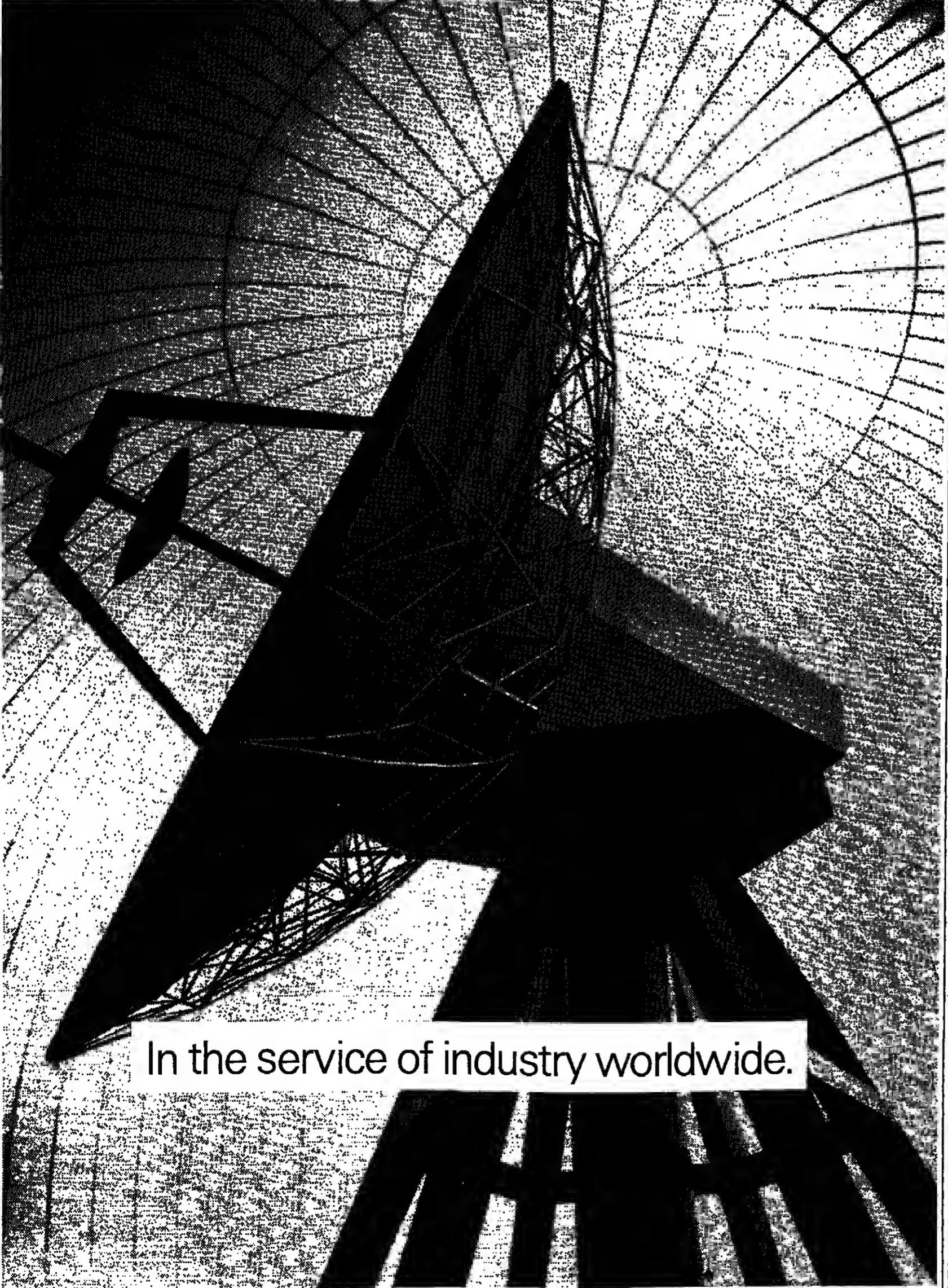


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Curbs on U.K. Demand ■ German Expansion

U.K. Interest Rate Maneuvers Dampen Exuberant Demand

By Marybeth Nibley

LONDON — Like a host trying to restrain the merry-making of spirited revelers, Britain's Chancellor of the Exchequer undertook an unpopular task this past summer. British economic growth had gotten out of hand and Nigel Lawson sought to bring it under control.

Too much of a good thing was threatening to wreck a good time. In the case of the economy, the good thing was exuberant demand and the good time was the sustained period of expansion that has evolved since the 1979-1981 recession.

To curb demand, the government of Prime Minister Margaret Thatcher steadily forced up interest rates so that by the end of August, banks' base rates were at 12 percent, or about 4.5 percentage points higher than in the spring.

The government's rate maneuvers provoked criticism from many quarters. Some skeptics doubted that rate increases alone could stifle demand sufficiently and advocated auxiliary measures, such as controls on consumer borrowing or higher taxes.

Others contended that the sharp increase in interest rates was overdue and would interfere with sterling's value. This could cause additional interest rate adjustments in the name of stabilizing the British currency, the argument went.

As debate raged about what should be done and accusations of economic mismanagement were hurled at Mr. Lawson, a question was forming: Was the party over?

The answer came back as a decisive "no" from private economists. But the wistful view of many observers seemed to be that things might have been better if the situation had been handled differently.

Several reports issued in August attempted to put the British economy in perspective.

The Organization for Economic Cooperation and Development, the Paris-based group of 24 industrialized countries, praised Britain's economic record and said "that the 1980s will stand out as a decade of impressive improvement in the economic performance, reversing a long-term trend of decline relative to other member countries."

But the OECD also said inflationary tendencies should be monitored closely and that the "recent high rate of domestic demand growth is not sustainable." The government should forgo further tax cuts in the next budget, due in March 1989, the OECD recommended.

Britain's National Institute of Economic and Social Research predicted that growth would slow substantially next year but that the economy would not slump into a recession.

Inflation-adjusted gross domestic product would increase 2.4 percent in 1989 after an estimated 3.9 percent rise this year, it said.

Also cautious about the consequences of

rapid consumer spending, the institute called for a tightening in fiscal policy to supplement action already taken on the monetary policy front. Interest rates should not go up any more, it said.

In taking a more restrictive fiscal stance, the government should raise the employee contribution to social security and reduce the amount of tax cuts planned for 1989, it said.

Meanwhile, the Confederation of British Industry released a survey of about 1,500 manufacturing firms that showed that output was expected to remain strong through the end of 1988 but that the strength of the pound was impeding export orders.

Worries about the trade performance grew after the government reported a record deficit in the British balance of payments on the current account for July of £2.15 billion (\$3.63 billion). The current account is a comprehensive measure of foreign trade covering goods and services as well as some financial transactions.

Bill Martin, chief economist for Britain at

Whether the government has been unskillful in administering economy policy is open for debate but there is no doubt that it has been unlucky.

One of the misfortunes stemmed from not knowing how much stimulation the economy would need to compensate for last October's market crash. A generous 1988 budget and interest rate reductions proved too rich for the economy to digest without consumer expenditures becoming dangerously bloated.

"To conclude now that the budget was wrong is a harsh judgment to make. At the time the budget looked like it was correct," said John Sheppard, an economist at Warburg Securities. "But the judgment must be looking back on it — that policy was too loose."

"There weren't many people who expected the economy to be growing as fast as it did," he added.

Many economists have urged the government to supplement the interest rate increases by clamping down on credit.

David Walton, an international economist at Goldman Sachs, said the controls should be implemented temporarily until the contractionary effects of higher interest rates begin being felt.

"The thing about credit controls is that they are not effective over the long term," Mr. Walton said, adding that "people find ways around them."

"But temporarily they are a shock to an economy," he said.

Examples of the credit curbs mentioned by private economists were a surcharge on new household loans, an increase in deposits required on purchases financed by credit and a lump sum tax related to the size of new loans.

Discussion of the possible controls was largely academic as the government had made known its position that fiscal policy methods would not be used in protecting the economic expansion.

By ruling out fiscal tools, the government created extra problems for itself, according to Professor David Currie, director of the Center for Economic Forecasting at the London Business School.

Because it takes time for the impact of higher rates to change the behavior of consumers accustomed to spending freely, there is a danger that financial markets would tire of waiting and demand quicker results. If this caused the government to drive rates still higher, it would amount to monetary overkill, possibly endangering the durability of the economic expansion, Mr. Currie contended.

"Given the lag, it's a little like steering an oil tanker. You may have to look a mile ahead," he said. "Lawson may be forced to act."

But the chancellor probably would rather not, preferring to wait and see what happens.

David Gilchrist, a general manager of the Halifax Building Society, said, "Although



Nigel Lawson

the use of the interest rate tool is criticized, it is very powerful."

Part of the power is based on the fact that virtually all mortgages in Britain are variable rate loans. So a rise in mortgage rates not only makes it more expensive to buy a home but also takes money out of the pockets of existing homeowners, noted Mr. Gilchrist.

Regardless of what happened to interest rates, housing market analysts expect the booming property market to lose momentum because rising house prices have been outpacing income growth to the point where buying a home is becoming an unaffordable prospect for more and more people.

But other aspects of consumer spending are less predictable until mid-October, suggested Mr. Walton of Goldman Sachs. "The main slowing of consumer demand probably won't come around until Christmas."

If this is the case, operators in the foreign exchange markets, mindful of the precarious state of the economy, might dump sterling and cause the Bank of England to intervene aggressively to defend the pound. Alternatively, the government could nudge interest rates higher.

Given the choice of these two actions, several economists considered intervention the likelier selection. Doing nothing and allowing the currency to depreciate indefinitely would be a far less attractive option to the government, economists said.

A reduction in the value of sterling against the currencies of Britain's major trading partners while domestic demand remains robust would have an inflationary impact, said Goldman Sachs' Mr. Walton. A weaker pound would make imported goods more expensive, he said, while domestic output could not meet all the demand.

Devaluation would not solve the current trade problems. The steadily mounting deficit mainly reflects surging imports rather than a slump in exports.

"Export volumes are holding up very well," Mr. Walton observed.

MARYBETH NIBLEY is financial journalist based in London.

Bonn's Domestic Spurt

By Edward Roby

FRANKFURT — When West Germany's economic strategists meet their foreign colleagues in West Berlin, they will not have to put up with the usual round of complaints about their country's sluggish economic growth.

With impeccable timing, the Economics Ministry announced in mid-September that the economy expanded at a rate of around 3.9 percent in the first half of 1988, its strongest performance since 1980. Better still, the driving force behind this impressive growth spurt turns out to be not so much the country's notorious export machine as a real 4.6 percent increase in domestic demand compared with the year-earlier period.

The Bundesbank president, Karl Otto Pöhl, who is embroiled in a dispute with his French colleagues over his cautious monetary policy, called the economy's performance "extraordinarily positive" and said he was "very pleasantly surprised." Mr. Pöhl said criticism of West German economic and monetary stewardship was "entirely off target" this year and expressed confidence that the West German position would prevail in discussions during the World Bank and International Monetary Fund meetings.

West Germany's growth card undercuts U.S. arguments that Bonn and Frankfurt are not doing their share to redress the global trade imbalance.

"The figures in Europe are not bad. We cannot complain," conceded a Federal Reserve Board member, Robert Heller, in a West German radio interview this month.

At its current rate of expansion, the West German economy would match the real growth rate expected for the United States this year and far outdistance most European neighbors. The foreign business press, which has been filled lately with gloomy analyses of high German unemployment, weak business investment and fading dynamism in the land of the Wirtschaftswunder economic miracle, would need a new reference point.

West German officials say they are surprised by the sudden growth spurt, but many economists are not. They chalk it up largely to the effect of a 14 billion Deutsche mark (\$7.46 billion at current rates) tax cut that took effect at the start of this year, triggering a powerful surge of private consumption.

With the tax cut, which is just a

foretaste of a larger reduction slated for 1990, Finance Minister Gerhard Stoltenberg partly redeemed a pledge West Germany made to the Group of Seven and borrowed a play from the repertoire of President Ronald Reagan and Prime Minister Margaret Thatcher.

The results, coming after the October 1987 market crash and before the U.S. presidential election, should be more than welcome. They could be short-lived because Mr. Stoltenberg, who hopes to curb deficit spending, plans to impose an interest withholding tax and levies on alcohol, tobacco and fuel consumption. The move is expected to double the one percent inflation rate and dampen domestic consumption next year.

Quick fixes are not the German style. Steady, sustainable, non-inflationary growth is the economic policy goal of the government be-

bewildered by recent suggestions in the press that Mrs. Thatcher's economic reforms in Britain might be a useful model.

"That's something new. Ten years ago that would have been unthinkable," said Norbert Walter, chief economist at Deutsche Bank AG. "England has been trying in the last few years to catch up, but it won't match the level of West Germany."

The fact that more than 2.2 million West Germans are without jobs leaves no justification for complacency. But the West Germans remain wary of arguments that their nearly 9 percent unemployment rate calls for special efforts to stimulate the economy.

"This alternative often doesn't work. Much of the time you get both inflation and weaker growth," said Siegfried C. Cassier, a general manager of Industriekreditbank AG-Deutsche Industriebank in Düsseldorf, which fi-

In the first half of 1988, the economy grew 3.9 percent.

cause the overriding concern of the average German is financial security and not a fast mark. The German experience, going back to the hyperinflation of the 1920s that accelerated the collapse of a weak democracy, taught the value of a stable currency anchored in conservative monetary and fiscal policy.

The postwar economic miracle, admired abroad as a remarkable flowering of growth and prosperity, was mainly a struggle for security and is often attributed in West Germany to Ludwig Erhard's 1948 currency reform.

Since then, the obsession with security has led the country's private households to squirrel away more than 24 trillion marks in banked savings, government bonds, insurance policies and other liquid assets. These assets have tripled since 1957. With a current savings ratio based on disposable income of around 13.4 percent, the West Germans are worlds away from the Americans, who save only 4 percent.

Clearly, this is not a constituency that would sit still for inflationary stimulants that may or may not add a point to gross national product. The stability of the mark is paramount.

ances many of the country's family-owned businesses.

He estimated that the German jobless rate might be a couple of points lower if it were computed the way some other countries do. Mr. Cassier also pointed out that the German unemployment is a structural problem that growth alone will not cure.

Part of the problem lies in the fact that growth in services exceeds that of GNP in the industrial countries but West Germany lags behind the United States, for example, in the shift to a service-oriented economy, said Dieter Spethmann, chairman of Thyssen AG.

Mr. Spethmann said West Germany will not be able to tap the full growth potential in services until the government removes the regulations that are now blocking it. For that to happen, he said, people's attitudes will have to change because there are powerful political constituencies obstructing deregulation.

EDWARD ROBY is the English-language editor of Vereinigte Wirtschaftsdienste GmbH, a West German economics agency based in Frankfurt.

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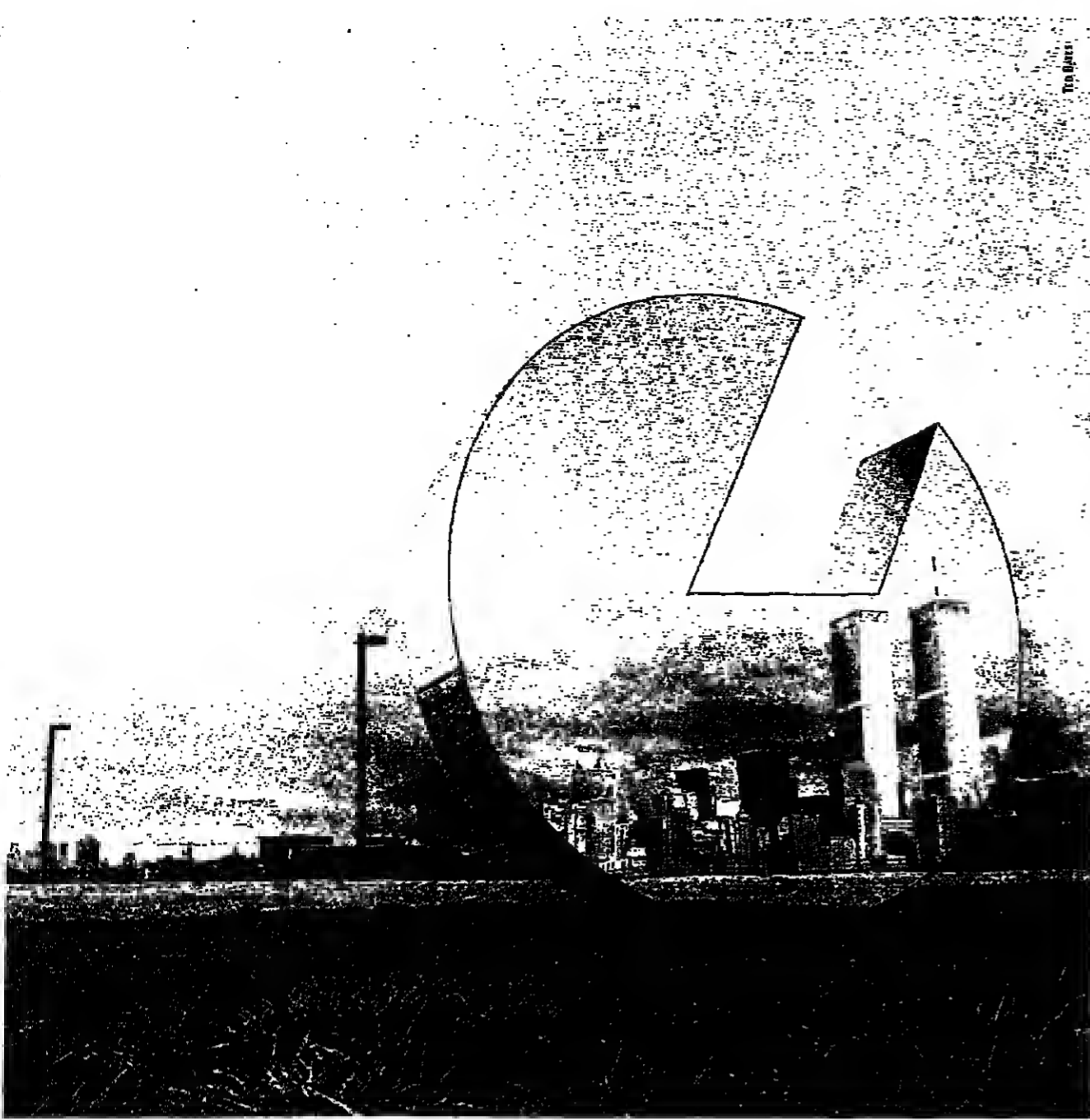
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### Fast-Paced Iberian Growth

## In Spain, a Risk of Overheating

By William Chislett

**M**ADRID — Two years after they joined the European Community, Spain and Portugal have the fastest-growing economies in the Community and growth is set to continue apace. The dynamic impact of membership is shifting the nucleus of growth from northern to southern Europe.

Both countries need to continue growth to narrow the development gap between the Iberian peninsula and the rest of the EC and to reduce high unemployment. After growing 5.2 percent in 1987, the Spanish economy is forecast to expand 4.8 percent this year. The Portuguese economy grew 4.7 percent last year and it is projected to increase by about 4 percent in 1988. The growth is more than double the 2.3 percent forecast for the EC as a whole.

Both economies are sucking in imports of capital goods at phenomenal rates, underscoring the tremendous investment under way to modernize companies and improve productivity. Foreign and domestic investment is the strongest component of domestic demand and its growth in both countries is likely to remain well above the European average.

**T**HE SPANISH economy is performing so well that it runs the risk of overheating, according to Pedro Pérez, the secretary of state for the economy. After a 10-year economic crisis that ended in 1985, and a painful adjustment process, Mr. Pérez said the Socialist government would not let events knock it off its course of consolidating sustained noninflationary growth, creating new jobs — about one million since 1986 — and modernizing the economy.

The key weapons in its strategy are to hold down inflation, which is currently running above the 3 percent target, with a tighter monetary policy, and reduce the budget deficit which will be down to about 3 percent of gross domestic product this year.

The government, however, remains at loggerheads with the main Socialist UGT trade union, which regards the orthodox policies as a betrayal of socialism.

The UGT is pushing for higher wage demands, benefits for more of the three million unemployed, a figure that is nearer two million when the thriving black economy is taken into account, and a less flexible employment policy. Companies are hiring increasing numbers of temporary workers.



Tourists visiting the Alhambra in Granada. Tourism is one of the principal motors of economic growth in Spain.

Prospects for the present generation are grim, with youth unemployment at 41 percent compared with an average of 15 percent for the 12 largest economies in Organization for Economic Cooperation and Development countries. This is leading to serious crime problems.

While the government's strategy centers on job creation, the union's focus is on the unemployed. The two sides are far apart. With limited funds, the government believes it has reason on its side.

Even if the government fulfilled its goal of creating 1.5 million jobs in the next five years, official unemployment would still be the highest in the EC at 16.6 percent, down from the current 20 percent. The unemployment rate will remain high because the baby boom of the 1950s and 1960s produced a labor force bulge in the 1970s and 1980s and more women are seeking jobs.

a surplus for several years, the current account will be in deficit this year to the tune of \$2.6 billion. This is largely because of the enormous trade deficit that will approach \$30 billion this year, although exports are performing well.

Financing the current account deficit is not a problem because of the tourism money-spinner and large foreign capital inflows. Spain is in the enviable position of being a creditor nation, with international reserves of \$38.7 billion in September exceeding total foreign debt. The reserves are a substantial cushion.

Services, particularly tourism, are the main dynamo of economic growth and this is likely to be even more so in the future. The services sector accounted for 57 percent of GDP in 1987, up from 50 percent in 1975.

The flash point comes when the deficit is too large to be offset by tourism — there were more than 51 million visitors this year — and foreign investment. Some economists forecast that the current account deficit could be as high as \$10 billion in 1990. "This assumes that we will not take measures to stop this happening," said Mr. Pérez.

**T**HE government has been pleasantly surprised by the performance of exports which, if it continues, augurs well. Despite a strong currency, a not particularly buoyant world trade picture and surging domestic demand, Spanish exports are increasing their share of the market. Exports of food are up 8 percent in real terms, about double the growth in world trade.

The government draws comfort from the performance of exports because it vindicates the policy of liberalizing the economy under the stern eye of the EC. The massive growth in fixed capital investment — 40 percent between mid-1985 and 1988 — is now bearing fruit in the form of higher productivity and more competitive exports.

If the present trend continues and imports decline as they should do although they will still remain high, exports could begin to grow at a faster pace than imports by 1991 for the first time in seven years. This would coincide with the end of Spain's EC transition and the challenge of the single European market.

**WILLIAM CHISLETT** is the deputy editor of the English-language section of the Spanish news agency Efe.

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## MERGERS AND ACQUISITIONS

Provisional synopsis of contents:

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### Japan

Powered by the strength of the yen, Japanese companies are making takeover bids abroad. At home, mergers and acquisitions remain rare. Rarer still: foreign companies taking over domestic concerns in Japan.

### West Germany

A look at German acquisitions including Daimler's massive takeovers. Leveraged buyouts in Germany.

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Brazilian Surplus

# Latin America Has a Brief Respite

By Mac Margolis

**R**IO DE JANEIRO — When statisticians at the Brazilian Central Bank finished tallying the numbers for trade for the month of August, the results arched eyebrows all over this South American nation.

Just in August, Brazil reported a \$2.087 billion trade surplus, a record figure during a record-breaking year. The feat was managed through exports of \$3.46 billion, more than Peru exported in all of 1987 and nearly equal to the yearly gross national product of Bolivia.

According to the Central Bank calculations, if the nation's foreign commerce keeps its current pace, by the end of the year Brazil will log \$19 billion trade surplus, the world's third largest, just behind Japan and West Germany.

But Brazil, with a diversified economy and an export portfolio ranging from frozen orange juice to battle tanks, stands out as the glaring exception in Latin America.

In a continent crippled by debt and starved of fresh capital, the revenue earned by exports is like lifeblood. Yet, for most countries in Central America, South America and the Caribbean, an age-old handicap is still there.

The region's exports are overwhelmingly primary goods, such as petroleum, sugar, cocoa, wheat, tin and bauxite, whose prices oscillate according to the vagaries of the weather, the intrusion of new materials born of technological discovery and the capricious appetites of the industrial economies.

All told, the recent months have been kind to most of the developing world, according to financial analysts. The International Monetary Fund, in its recent World Economic Outlook, reported better than expected growth — 3.5 percent to 4 percent as opposed to earlier projections of 2.7 percent — in the seven richest countries, where most Latin American products are sold.

The IMF also noted a 30 percent increase, from May 1987 to May 1988, in the dollar prices of basic commodities, such as copper, tin, wheat, pulp for paper and fishmeal.

Furthermore, oil, the biggest import item in much of the region, fell precipitously. These countries are expected to run an accumulated trade surplus of \$22.7 billion this year, or twice that of 1987, according to projections by the United Nations Economic Commission on Latin America and the Caribbean.

The recent windfall for Latin America is due in large part to a fragile, and at best temporary, advantage — the surprising recovery of metals and the U.S. drought that ravaged crops of soybeans, cotton, wheat and corn.

In April, ECLA concluded that, while Latin America boosted exports 32 percent between 1980 and 1987, the net value of those goods declined by one percent.

"The recovery is not likely to last for very long," predicted an ECLA economist, Hector Assael, in Santiago. "Basic goods' prices will probably remain low through 1990."

Even Brazil's spectacular trade surplus is largely due to ample portions of good luck — a 22-percent rise in prices of exports.

"We have one of the most closed economies in the world," said Marcos Vinicius Pretini, president of the Brazilian Exporters' Association, at a meeting of businessmen in Rio this

month. "We are going to pay dearly for this policy. Our clients are going to ask, 'What kind of store is this, that only wants to sell and buys nothing?'"

In an August study by the General Agreement on Tariffs and Trade, the international accord that mediates world trade, between 1982 and 1987 the 15 most indebted countries imported \$315 billion less than in the previous period. Two thirds of the cut in imports was an austerity squeeze imposed by the burden of debt payments.

In recent weeks, U.S. trade officials have summoned dozens of foreign businessmen to Washington to answer charges of dumping, tariff walls and inadequate patent protection.

To some, the worst threat is the new U.S. Trade Law, which was recently signed by President Ronald Reagan. It authorizes commerce officials to respond to trade practices deemed

"We are the orphans in this process," said Mr. Ricapero.

Despite a bold but embryonic free trade pact between Brazil and Argentina, trade within Latin America is low and declining.

At the beginning of the decade, 17 percent of the total \$90 billion Latin trade was intra-regional; this year, however, it is expected to drop to 12 percent, the United Nations reported.

Latin America lacks a tradition of economic cooperation.

"Every country in Latin America was the potential enemy of every other. There's a long tradition in Latin America of breaking trade accords and treaties," said Benedicto Moreira, a former Brazilian Central Bank authority.

Inwardness was fueled by a decade-old model of development based on the substitution of

The recent windfall is due in large part to a fragile, and at best temporary, advantage — the surprising recovery of metals and the U.S. drought.

unfair under a more muscular version of Section 301 of the U.S. Trade Act. The Brazilians have called this "Super 301" and are predicting a backlash of U.S. protectionism.

Latin America also faces new trade blocs in the developed world. The United States and Canada have signed a new trade agreement, and Japan and the Pacific Rim countries have agreed to increase cooperation.

More important, perhaps, are the plans of the 12 European Community countries to pare tariffs and remove virtually all internal trade barriers from 1992.

Latin fear that such trading blocs could leave the relatively weaker developing countries out in the cold.

"We don't know yet what this is going to mean, but certainly there is a risk of greater closure," said Rubens Ricapero, Brazil's representative to GATT. "Each individual European country will surely lose some competitive advantage, the community as a whole will have to compensate by restricting outside competition or asking for reciprocity in foreign markets."

Professor Jeffrey Sachs of Harvard University, a counselor to many Latin governments on debt and inflation, disagrees. "I'm optimistic; 1992 is going to revitalize the European market, facilitating takeovers, easing labor restrictions and increasing investment opportunities and capital flow. In all, it's going to make a more vigorous Europe, which means a bigger market, and that will be very good for everyone," he said.

The only region still lacking an integrated trade agreement is Latin America.

imports with locally produced goods. The import substitution helped some countries, like Brazil, to grow and diversify their economies. However, it created economic greenhouses, which spawned fragile and uncompetitive businesses in most countries.

Many Latin governments are now beginning to encourage investment, sell off bankrupt public enterprises and seek technology to renovate antiquated industries. Creditors say the remedy is to raze the trade walls and let in foreign capital. But many economists worry that total openness would cause distortions by gutting infant industry in many countries.

"The open trade argument is one-third ideological, one-third appropriate, and one-third a power grab by creditors who want unilateral concessions from debtors," says Professor Sachs, a Harvard economist. "An outward orientation can be compatible with protection of important national industry, and Japan is the key example. Japan, the pre-eminent example of growth in this century, had an important element of protection in its most productive growth period."

The trick for many Latin American countries, staggering under debt obligations and at the same time rushing to catch up in world trade, will likely be to find that delicate balance — nurturing national companies without suffocating the economy.

MAC MARGOLIS is a Rio de Janeiro-based correspondent for Newsweek and a contributor to The Times of London.



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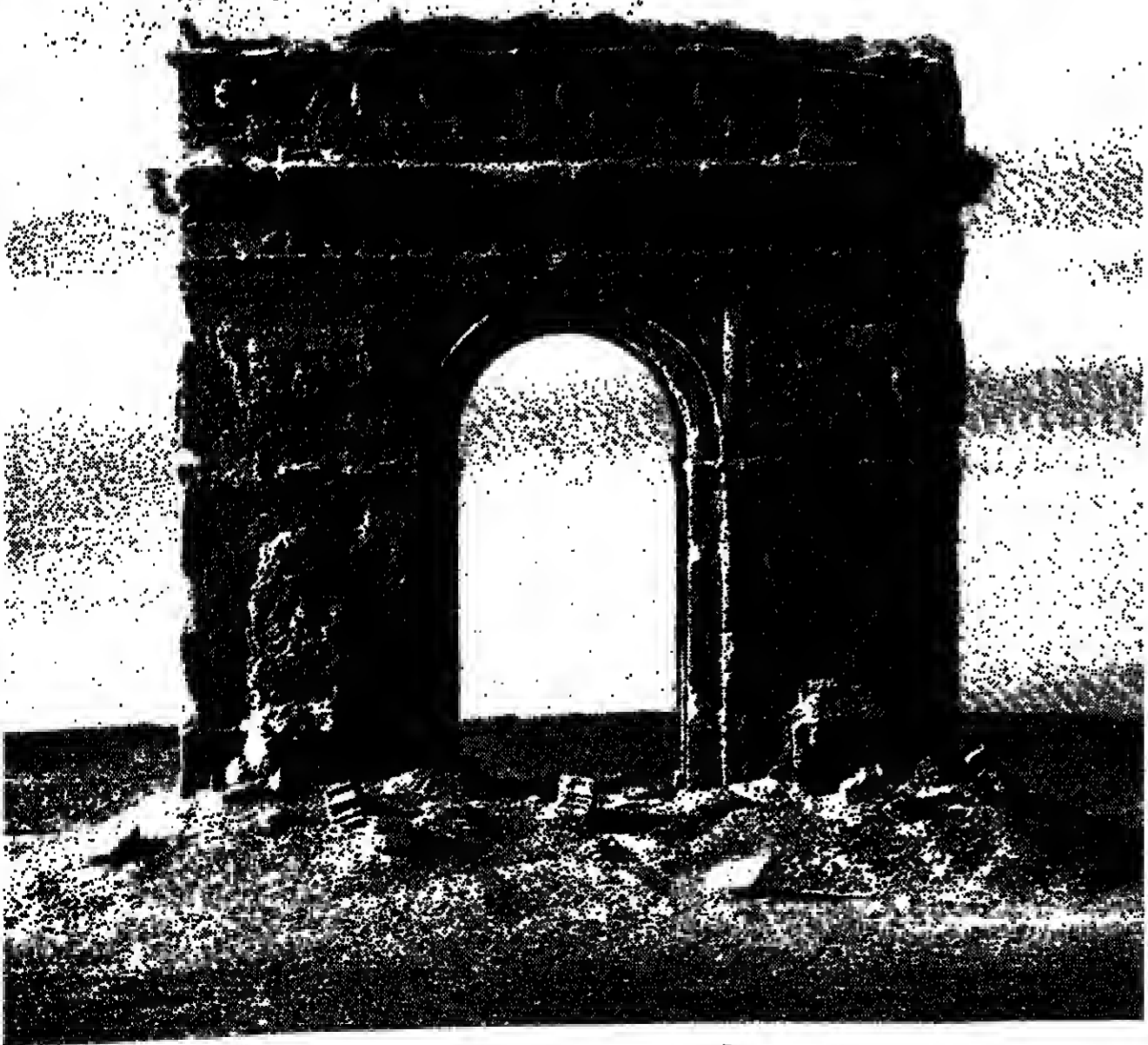
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Time has eroded the Arc de Triomphe... the time has come to act.



For over a century and a half, the Arc de Triomphe has been a witness to the great moments of French history. And every day, for the past 63 years, the sacred flame which burns beneath the arch, has symbolized the continuity of France. Today, this unparalleled monument is seriously threatened by the erosion of time and restoration is urgently required. The time has come to act. Alongside the French government, a National Association\* for the Restoration of the Arc de Triomphe has been founded. It needs the help of all who love France, of all who love Paris. The Association is recognized by the Fondation de France and if you are



able to French taxes, your contribution can be deducted from your taxable income within the limit of 5%. The name of each contributor will be inscribed in the Golden Book which will be preserved at the Arc itself. Each contributor will also receive a Certificate of Recognition. Please send your gift to: Association Nationale pour la Restauration de l'Arc de Triomphe - B.P. 303-08 - 75385 Paris Cedex 08. Make cheques payable to: Fondation de France - Arc de Triomphe.

\*Recognized by the Fondation de France, the Fondation Nationale des Travaux Publics, the Fondation A.P. Michel, the Fondation de la Ville de Paris, with the support of the City of Paris.

### HEDGING WITH GOLD THE PATH TO PROFITABLE INVESTMENT

In rising equities markets, many investors believe that the winning strategy is to move fully into stocks and other paper assets. Yet recent studies suggest that the safest and, over the long term, most rewarding strategy is to keep at least part of one's assets in gold. The following analysis offers new and convincing evidence of this fact.

Cautious investors often ask: Is it risky to invest in gold? According to many investment experts, it is far more risky these days not to invest in gold. Portfolios consisting entirely of paper assets are vulnerable to the ever-present perils of inflation, currency depreciation and banking crises. And it is precisely in times of stress that gold generally appreciates in value, making up for losses in paper assets.

In other words, gold is the "Portfolio Risk Diversifier" par excellence. It is an asset that protects other assets, a form of long-term portfolio insurance.

Along with its hedging function, this insurance bolsters investors' confidence, permitting them to be more aggressive in the management of their paper assets.

Extensive research by no less an authority than the Mitsubishi Institute, Japan's largest and most respected "think tank," shows that long-term returns on gold are comparable to those on stocks and bonds.

In a recent study, Mitsubishi researchers took numerous samples of 3-year, 5-year, 10-year periods - 288 different periods in all - within the overall time span of January 1973 to December 1986. For each of these

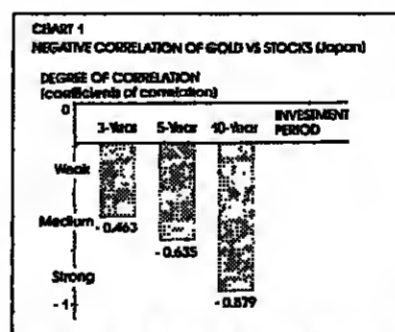


TABLE 1 - INVESTMENT RETURNS (%) (Revised Period Average Method)

	GOLD	STOCKS	BONDS	GOLD	STOCKS	BONDS	GOLD	STOCKS	BONDS
JAPAN	7.60	11.56	8.78	9.55	11.66	8.19	7.90	12.62	8.12
U.S.	10.75	9.81	9.54	12.64	10.60	9.83	10.99	11.37	9.74
GERMANY	10.97	9.42	8.22	12.66	9.64	8.18	10.67	11.55	8.26

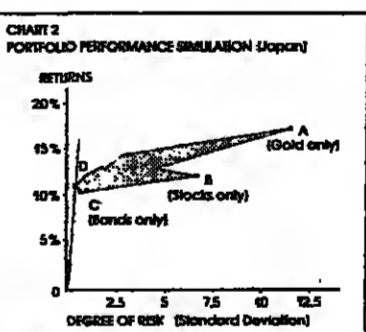
TABLE 2 - MODEL PORTFOLIOS (JAPAN)

	3 YEARS	5 YEARS	10 YEARS
STOCKS ONLY	6%	9%	3%
BONDS ONLY	11%	8%	5%
GOLD ONLY	2%	8%	13%

periods they calculated both the absolute and average returns for gold, stocks and bonds, using the Revised Period Averaging Method. A major advantage of this method is that it excludes change factors which may temporarily distort price levels.

One of the key facts to emerge from this study: Gold tends to perform better when equities go down (Table 1).

As indicated in Chart 1, there is a negative correlation between returns on gold and stocks. The longer the investment period, the stronger the degree of negative correlation - demonstrating once again that



long-term gold holdings offer protection against stock market declines. Over the short term, a variety of chance factors may come into play. After the October 19th stock market crash, for example, gold prices did not promptly respond to the steep decline in equities values. The chance factor in this case was that immediately following Black Monday, several institutional investors in the U.S. sold substantial quantities of gold to meet margin calls on stock futures positions. In this time of need, their gold holdings served as a critically important hedge.

Chart 2 shows simulated performances of portfolios consisting of stocks, bonds and gold. Shifting asset allocation produces varying degrees of profitability and risk. Point A shows results with a portfolio devoted entirely to gold; Point B to stocks; Point C to bonds. The combination of all three (Point D) represents the best balance of profitability and risk. The combination of stocks, bonds and gold required to reach Point D is shown in Table 2.

Conclusion: Gold is an essential part of any well-balanced portfolio. It is the ideal hedge against declines in equities, offers a safe path to profitable investments and allows more aggressive management of paper assets.



MONDAY SPORTS

Clemens Stops Yankees, 6-0

NEW YORK — Roger Clemens pitched seven shutout innings as the Boston Red Sox stopped the New York Yankees 6-0 Sunday and reduced their magic number to three for clinching the American League East.

Clemens overcame Rickey Henderson's line drive off his pitching arm in the first inning and scattered five singles. Mike Greenwell hit a three-run homer in the first inning. Dwight Evans hit a two-run shot in the fifth and Wade Boggs added three singles in five at-bats to raise his average to .364, the best in baseball. Lee Smith closed for the Red Sox, allowing two hits. Rick Rhoden, 12-11, saw his five-game winning streak end.

SUNDAY BASEBALL

Yankees 6, Red Sox 0: In the American League, in New York, shortstop Jody Reed misplayed Willie Randolph's bases-loaded grounder with two outs in the ninth as the Yankees rallied to top Boston.

Dodgers Assured of Tie For Divisional Honors

SAN FRANCISCO — The Los Angeles Dodgers were to celebrate, but couldn't — yet. With a 7-3 victory over the San Francisco Giants, the Dodgers clinched a tie Saturday for first place in the National League West.

Kevin McReynolds and Mookie Wilson each drove in four runs as New York scored its most runs in a game this season. Cubs 2, Pirates 1: In Pittsburgh, Vance Law broke an eighth-inning tie with a sacrifice fly to lift Chicago.

SATURDAY BASEBALL

Then they watched on clubhouse television as Cincinnati nipped Atlanta, forestalling their first division title since 1985. "You want to celebrate, but it's not time to celebrate," outfielder Kirk Gibson said.

Indians 4, Blue Jays 3: In Cleveland, Dave Clark hit an RBI single with two outs in the bottom of the ninth and Scott Bailes pitched two perfect innings as the Indians defeated Toronto. The Indians snapped a four-game losing streak and ended the Blue Jays' three-game winning streak.

Ricky Horton (1-0) pitched two innings of one-hit relief for his first victory as a Dodger. The winners John Tudor gave up eight hits in four innings, including two bases-empty home runs by Matt Williams. "Clinching a tie doesn't mean a lot to me," Tudor said. "The Dodgers would have won the division without me. My role is in the playoffs and the World Series."

Brewers 4, A's 2: In Milwaukee, Teddy Higuera won for the eighth time in nine starts and Robin Yount went 3 for 4 with a solo home run to lift the Brewers to a victory over Oakland. Oakland, the AL West champion, had a seven-game winning streak stopped.

Refs 2, Braves 1: In Atlanta, Danny Jackson pitched a four-hitter to tie for the league high of 23 victories as Cincinnati handed Atlanta its 101st defeat of the season, equating a club record. Orel Hershiser of Los Angeles has also won 23 games.

Mariners 3, Rangers 0: In Arlington, Texas, Mark Langston's one-hitter extended his scoreless inning streak to a Seattle club record of 26.

Expos 1, Phillies 0: In Philadelphia, Pascual Perez pitched a five-inning no-hitter as Montreal won a game called after a 90-minute rain delay.

Twins 3, Angels 2: In Anaheim, California, Jim Dwyer's ninth-inning sacrifice fly scored pinch runner Mark Davidson from third as Minnesota handed California its sixth straight loss.

Met 14, Cardinals 1: In St. Louis, Dave West won his major league debut and went 2-for-2, and

Met 9-3, Cardinals 0: In Cleveland, Dave Stieb, one out away from the first no-hitter in Toronto's 12-year history, lost it on a bad hop single by Julio Franco in the ninth. Stieb had allowed only three base runners (two walks and a hit batsman) to that point. It was the major leagues' seventh no-hitter broken up in the last inning this year.

Mariners 3, Rangers 0: In Arlington, Texas, Mark Langston's one-hitter extended his scoreless inning streak to a Seattle club record of 26.

Phillies 8, Expos 5: In Philadelphia, Ricky Jordan hit a three-run, first-inning homer as Philadelphia took a seven-run lead and coasted to an 8-5 victory over Montreal.

Canseco: All Alone At 40-40

MILWAUKEE — Jose Canseco stands alone. The Oakland right fielder stole two bases in a 9-8, 14-inning victory over the Brewers Friday night to become the first major league player to amass 40 steals and 40 home runs in a season. Canseco fulfilled a promise he made early this year, his accomplishment representing the rarest combination of speed and power in the game.

Canseco reached the 40-home run plateau on Sept. 18, he stole his 39th base on Friday's first inning and got No. 40 (and got the bag to go with it) in the fifth, when he bunted safely and then stole second on Juan Nieves's 0-1 pitch to Mark McGwire. "I'm greatly relieved," said Canseco, 24. "I didn't want to go through the season and end up short."

He also hit his 41st home run Friday night; Canseco hit 33 his rookie season and followed that with 31 in 1987. He is the only man in team history with 100 or more RBIs in three straight seasons, but before 1988 he had not exceeded 15 stolen bases in a year as a pro.

Canseco's 40th home run came in the eighth inning of a 9-8 victory over the Brewers. He had 39 RBIs in 1987, 31 in 1988.

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Sunshine Forever Wins Man o' War Turf Stakes

NEW YORK — Sunshine Forever, bred and owned by Darby Dan Farm, held off Paved the Way to win Saturday's \$596,000 Man o' War Stakes at Belmont Park by half a length. Sunshine Forever, the favorite, ran the 1 1/4-mile (2,210-meter) turf race in 2:10.25.

In the unofficial kickoff to the fall season of grass racing, six of the nine entrants, including Paved the Way, began their careers in Europe.

A Sharp O'Brien Leads Jets Over Lions

PONTIAC, Michigan — Ken O'Brien completed 27 of 38 passes for 253 yards and two touchdowns Sunday, leading the New York Jets to a 17-10 National Football League victory over the Detroit Lions.

NFL ROUNDUP

With the score at 10-10 with 9:39 left in the game, O'Brien fired a 26-yard pass to Wesley Walker, who was wide open in the end zone.

Al Toon, who suffered a slight concussion last week, caught 10 passes for 75 yards as the Jets won their third straight game after an opening day defeat. The Lions fell to 1-3.

O'Brien, the No. 2 passer in the American Football Conference, also hit Freeman McNeil for a 10-yard touchdown in the second quarter. But he was intercepted by Rabbel Cherry in the third quarter, breaking his string of passes without an interception at 2:11, the second-longest in NFL history.

Garry James scored on a 1-yard run for Detroit in the third quarter. The first touchdown yielded by the Lions, the leading defensive team in the AFC, in more than 10 quarters.

Prost Regains Racing Lead With Victory

ESTORIL, Portugal — Alain Prost, driving a turbocharged McLaren-Honda, won Sunday's Portuguese Grand Prix to regain the lead in the Formula One drivers' championship standings after 13 races.

The Frenchman's fifth victory of the season overtook his Brazilian teammate, Ayrton Senna, who finished sixth in a 70-lap race over the 4.35-kilometer (2.70-mile) circuit.

Prost, who finished in 1 hour, 37 minutes and 40.958 seconds, has 78 points, two more than Senna. Italian Ivan Capelli piloted his normally-aspirated March-Judd to second, .09253 off the pace. Thierry Boutsen of Belgium (a Benetton-Ford) and Briton Derek Warwick (a turbocharged Arco-Megatar) were third and fourth, respectively.

Los Angeles beat Tampa Bay, Hebert was 16 of 28 for 159 yards. Bears 24, Packers 6: In Green Bay, Wisconsin, Neal Anderson ran for two touchdowns and Chicago scored 17 points in the final five minutes of the first half to beat the winless Packers. The Bears, 3-1, sacked Randy Wright five times and intercepted him twice.

Colts 15, Dolphins 13: In Indianapolis, Dean Biasucci kicked five field goals, while the Indianapolis defense sacked quarterback Dan Marino four times in defeating Miami.

The Colts' Eric Dickerson, who went into the game leading the league in rushing, had 125 yards on 30 carries to move past Jim Taylor into the No. 8 position on the NFL career-rushing list.

USC Flattens Oklahoma, 23-7

LOS ANGELES — Yes, sir, Oklahoma can be KO'd in the regular season. Southern Cal applied the knockout punch Saturday, handing the Sooners their first nonbowl loss since the third game of 1986.

Tailback Aaron Emanuel scored twice, quarterback Rodney Peete became USC's total offense leader and the Trojans capitalized on three early turnovers to beat the Sooners, 23-7. It was Oklahoma's first regular-season loss since Miami turned the trick, 28-16, on Sept. 27, 1986. The Sooners had won 21 straight in-season games.

While Peete, who holds 13 school records, racked up 238 total yards to push his career total to 6,462 — passing Charles White's mark of 6,240 — Oklahoma quarterback Jamelle Hollaway lost the ball three times. His replacement, Charles Thompson, was intercepted twice by Chris Hale and once by Cleveland Colter late in the game.

Peete completed 16 of 34 passes for 198 yards and rushed for 40 yards as USC upped its series record against the Sooners to 4-2-1. The outcome was decided in the first two periods, when Oklahoma couldn't move the ball across the 50-yard line.

"This was a great, great victory and a lot of fun," Peete said. "To see our line come off the ball like it did and our backs run up there and the receivers catch the ball like they did... It's fun when you beat a great team like Oklahoma."

Atlanta star running back Gerald Riggs sprained his left knee and did not play in the second half.

Bengals 24, Browns 17: In Cincinnati, Lewis Billups returned a fumble for an early touchdown and Ickey Woods had a pair of 1-yard scoring runs in the first half as Cincinnati stayed unbeaten with a victory over Cleveland, now 2-2.

Cincinnati, 4-0, ended a two-year domination by the Browns to maintain its best start since 1975, when the club went 6-0.

Saints 13, Buccaneers 9: In New Orleans, Bobby Hebert threw a first-quarter touchdown and Morten Andersen kicked first-half field goals of 28 and 41 yards as New Orleans beat Tampa Bay. Hebert was 16 of 28 for 159 yards.

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COLLEGE FOOTBALL

Nebraska 47, Arizona St. 13: In Lincoln, Nebraska, Steve Taylor ran for one touchdown and passed for another and Ken Clark rushed for 122 yards to give Coach Tom Osborne his 150th career victory.

South Carolina 23, Georgia 10: In Columbia, South Carolina, Todd Ellis paced unbeaten South Carolina to its fourth victory by completing 28 of 43 passes for 321 yards, including a 36-yard TD pass to freshman Robert Brooks.

Ohio St. 36, Louisiana St. 33: In Columbus, Ohio, sophomore Greg Frey fired a 20-yard scoring pass to Bobby Olive with 38 seconds remaining to complete a 16-point rally by Ohio State in the final 1:56.

Auburn 38, Tennessee 6: In Auburn, Alabama, Reggie Slack completed 14 of 18 passes for 220 yards and two touchdowns and ran for a third to lead Auburn, which converted three third-quarter fumbles into touchdowns. At 0-4, Tennessee is off to its worst start in 25 years.

Notre Dame 52, Purdue 7: In South Bend, Indiana, quarterback Tony Rice sprinted 38 yards for one TD and passed for two others in the first half to lead Notre Dame.

West Virginia 31, Pittsburgh 10: In Morgantown, West Virginia, A.B. Brown, who transferred from Pittsburgh as a sophomore, rushed for 110 yards and one touchdown to power unbeaten West Virginia to its fourth straight victory.

Clemson 30, Georgia Tech 13: In Atlanta, Joe Henderson rushed for 116 yards and a touchdown to lead Clemson, which was flagged for 13 penalties.

Florida 17, Mississippi St. 0: In Gainesville, Florida, Emmitt Smith ran for 164 yards and two TDs, one on a school record 96-yard dash, helping Florida to its first 4-0 start since 1974.

Wyoming 48, Air Force 45: In Colorado Springs, freshman Tim Fleming kicked a 27-yard field goal with five seconds left to lift 4-0 Wyoming. The winners got three TD passes from Randy Wehnik in a 31-point fourth quarter.

Washington 35, San Jose St. 31: In Seattle, Tony Covington ran two yards for a touchdown with 1:31 remaining to boost 3-0 Washington, which squandered a 28-0 first-half lead.

ACROSS

- 1 Untidy person
5 Lesson
10 Beer ingredients
14 Just in — 1956 song
15 Bundle binder
16 Malefic
17 Canal or lake
18 Waspsel relative
19 Neck part
20 Field of boxing game
22 Loafed
23 Was in session
24 Ancient times
26 — Moines
29 Actress Miles from OMA.
32 Courage
35 Preposterous
38 Male parent
41 Also
42 Soft drinks
43 Mint or sage.
44 E-travagance or abundance
46 Superman Christopher
48 Within Comb form
49 Caddoan Indian
50 Gamblers' paradise
52 Globe
54 Fritter away
57 Era of football game
63 Perform
64 Revue
65 Pok-ei stake
66 Andrews Sisters - e-i
67 Inhibit
68 Rods heaters
69 Sea swallow
70 Puff
71 Stan
DOWN
1 Pace
2 Italian monetary unit
3 Leave out
4 Red root vegetables
5 Cut short aircraft light
6 Nocturnal mammals
7 Low female voice
8 Waa
9 Do wrong
10 Ricky of baseball game

Crossword puzzle grid with numbers 1-71.

WEATHER

Weather forecast table with columns for Europe, Asia, North America, Africa, Latin America, and Oceania. Includes high/low temperatures and conditions.

JUMBLE

Jumble word game with a grid and scrambled words: RONOC, NORST, DIMRAY, CHROID. Includes instructions and a cartoon illustration.

DENNIS THE MENACE

Cartoon strip titled 'Dennis the Menace' showing Dennis and his dog Ruff. Includes dialogue and a caption: 'IF IT WALKS LIKE A DUCK, TALKS LIKE A DUCK, AND LOOKS LIKE A DUCK... IT'S MARGARET.'

PEANUTS

Cartoon strip titled 'Peanuts' featuring characters like Woodstock and Snoopy. Includes dialogue and a caption: 'I SUPPOSE THERE ARE TIMES WHEN YOU CANNOT IMAGINE TRYING TO GO THROUGH LIFE WITHOUT ME...'

ANDY CAPP

Cartoon strip titled 'Andy Capp' featuring Andy Capp. Includes dialogue and a caption: 'IT WASN'T ALL THAT BAD A TACKLE WAS IT, PERCY?'

WIZARD OF ID

Cartoon strip titled 'Wizard of Id' featuring a wizard and a man. Includes dialogue and a caption: 'SORRY ABOUT ALL THE LOST BALLS TODAY, SIRE...'

REX MORGAN

Cartoon strip titled 'Rex Morgan' featuring Rex Morgan. Includes dialogue and a caption: 'TO ANSWER YOUR QUESTION, I DON'T THINK JEFFREY COULD HAVE A GOOD ALCOHOL OF 0.50 PERCENT AFTER DRINKING ONLY TWO GLASSES OF BEER ALL DAY...'

GARFIELD

Cartoon strip titled 'Garfield' featuring Garfield the cat. Includes dialogue and a caption: 'HE ACTUALLY MOVED... ONE SIDE WAS GETTING FLAT...'

Solution to Friday's Puzzle

A grid of words from a crossword puzzle solution, including: RASPS, CASTILE, HEPICAT, ABRAJANT, AVIATE, ROOMETTE, PEARS, SEA SAVER, LIRE, ALERT SIRS, ELI, SCANDAL ASE, SLATHERS, NEA, SENSATE, LAMINAE, PLO, RIGOROUS, MAL, ENLIVEN, MST, ITER, EATER, TAPA, NOVEL, DUR, AUDIT, ANACONDA, SPLICE, SENTINEL, TOMES, STONERS, SCAMS.

DOONESBURY

Cartoon strip titled 'Doonesbury' featuring characters like Gribble and Mr. Dinkus. Includes dialogue and a caption: 'I KNOW, ALL THE STUFF SEEM TO BE GOING AWAY...'



SCOREBOARD

BASEBALL

Friday's and Saturday's Major League Line Scores

Table of baseball scores for Friday and Saturday, including American League and National League results.

FOOTBALL

Table of football scores for Friday and Saturday, including college and professional games.

OLYMPIC RESULTS

MEDALS

Table showing medal counts for various countries in the Olympics.

DIVING

Table of diving results for various events.

EQUESTRIAN EVENTS

Table of equestrian event results.

CYCLING

Table of cycling event results.

PRELIMINARIES

Table of preliminary results for various sports.

ROWING

Table of rowing event results.

WOMEN'S COXED PAIRS

Table of women's coxed pairs results.

WOMEN'S QUADRUPEL SCULLS

Table of women's quadruple sculls results.

WOMEN'S DOUBLE SCULLS

Table of women's double sculls results.

WOMEN'S COXED FOURS

Table of women's coxed fours results.

WOMEN'S 200-METER BACKSTROKE

Table of women's 200-meter backstroke results.

WOMEN'S 500-METER FREESTYLE

Table of women's 500-meter freestyle results.

WOMEN'S 100-METER BUTTERFLY

Table of women's 100-meter butterfly results.

WOMEN'S 200-METER FREESTYLE

Table of women's 200-meter freestyle results.

WOMEN'S 400-METER FREESTYLE

Table of women's 400-meter freestyle results.

WOMEN'S 800-METER FREESTYLE

Table of women's 800-meter freestyle results.

BASKETBALL

Table of basketball event results.

WOMEN'S

Table of women's basketball results.

WOMEN'S 100-METER BUTTERFLY

Table of women's 100-meter butterfly results.

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WOMEN'S 1500-METER FREESTYLE

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WOMEN'S 500-METER BUTTERFLY

Table of women's 500-meter butterfly results.

WOMEN'S 1000-METER FREESTYLE

Table of women's 1000-meter freestyle results.

WOMEN'S 1500-METER BUTTERFLY

Table of women's 1500-meter butterfly results.

WOMEN'S 2000-METER FREESTYLE

Table of women's 2000-meter freestyle results.

WOMEN'S 4000-METER FREESTYLE

Table of women's 4000-meter freestyle results.

FIELD HOCKEY

Table of field hockey event results.

WOMEN'S

Table of women's field hockey results.

WOMEN'S 100-METER BUTTERFLY

Table of women's 100-meter butterfly results.

WOMEN'S 200-METER FREESTYLE

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WOMEN'S 400-METER FREESTYLE

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WOMEN'S 2000-METER FREESTYLE

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WOMEN'S 4000-METER FREESTYLE

Table of women's 4000-meter freestyle results.

Advertisement for 'In October' featuring 'The eyes of the fashion world will turn to the collections. But first they'll turn to the International Herald Tribune.' Includes contact information for the International Herald Tribune.

Advertisement for 'INTERNATIONAL BUSINESS ACQUISITIONS '88' featuring 'A major international conference sponsored by the International Herald Tribune and Skadden, Arps, Slate, Meagher, and Flom.' Includes details about the conference and contact information.

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SPORTS / 1988 SUMMER OLYMPICS

Johnson Sets World Record in 100

Compiled by Our Staff From Dispatches
SEUL — It was the race of the year, of the last four years. It was the long-awaited duel in the 100-meter dash between Ben Johnson of Canada and Carl Lewis of the United States, known as the world's fastest humans.

SATURDAY'S EVENTS

"I expected a fairly easy race and a personal best time — it's all downhill from here."
Evans led from start to finish in winning the 800 freestyle.

chev, dominated the apparatus finals in men's gymnastics as the Soviet team won outright or shared gold medals in five of the six finals.

race and give East Germany its fourth gold medal of the day in rowing. Romania, the Netherlands and Great Britain each got one gold.

OLYMPIC RESULTS

TRACK AND FIELD

er, East Germany, 43.0, Helga Annert, West Germany, 43.6, Denise Howard, U.S., 49.2.
WOMEN'S 100 METERS
Final
1. Ben Johnson, Canada, 9.79 (World record); 2. Carl Lewis, U.S., 9.92; 3. Linford Christie, Great Britain, 10.11; 4. Raymond Stewart, Jamaica, 10.26.

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Final
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Final
1. Ben Johnson, Canada, 9.79 (World record); 2. Carl Lewis, U.S., 9.92; 3. Linford Christie, Great Britain, 10.11; 4. Raymond Stewart, Jamaica, 10.26.

OLYMPICS ON TV

MONDAY, SEPT. 26
Austria—6:00 A.M.—4:30 P.M. (Ch. 2); 8:15 P.M.—9:30 P.M. (Ch. 1); 10:30 P.M.—11:00 P.M. (Ch. 2).



As Carl Lewis and the third-place Linford Christie of Britain watched, Ben Johnson signaled a world-record victory in the 100.

This O.K. Corral Shoot-Out Ended in a Slaughter

By Tony Kornheiser
Washington Post Service
SEUL — When Ben Johnson glided across the finish line, in that stunning moment, he had done something to Carl Lewis that had never been done before: pinned a silver medal on him.

GAMES ANALYSIS

he'd be ahead at 60 meters. "If Carl wants to beat me," he said, "he'll have to catch me." To Johnson, this was the punfight at the O.K. Corral.

and I did my best to go straight through." Had Johnson not glanced over at Lewis and not eased off as he raised his arm in celebration, he would surely have run even faster. Estimates were as little as .03 to as much as .04 faster, which would have given him a 9.75.

What's next for Johnson is simple. He leaves here with his reputation and his asking price inflated. He is a checkbook awaiting a pen.

Official Timekeeper of the Olympic Games 1988 Calgary and Seoul. You have a date with Longines Precision. LONGINES. Conquest VHP. Longines Conquest VHP (for Very High Precision), world's most advanced wrist watch. In titanium and gold.

Table with columns for Country, W, L, Pts. Rows include Soviet Union, East Germany, West Germany, Canada, Jamaica, Cuba, and others.



SPORTS / 1988 SUMMER OLYMPICS

Otto Swims to 6th Gold, Biondi Makes it 5 and 7

By Christine Brennan

Washington Post Service
SEUL — The Olympic swimming competition ended Sunday with a sixth gold medal for East Germany's Kristin Otto...

bronze medal Sunday in the 200-meter butterfly. Her time of 2:10.80 was nearly five seconds slower than the world record...

Meagher, dubbed "Madame Butterfly" years ago, said she was retiring from swimming, effective the moment she touched the wall.

Backstroke David Berkoff, breaststroker Rieh Schroeder, and freestyler Chris Jacobs...

The relay victory was the lone U.S. gold medal on a day dominated by the Eastern Bloc.

Overall, East Germany won 11 gold medals at the Olympic Park Indoor Swimming Pool...

One has to go back to 1960 to find an Olympics in which the U.S. men, who received five golds here...

22, the blonde, bright-eyed heir to the riches of East German swimming, won more gold medals...

"I wanted to win the 100 free and I knew we would be favored for the gold in both relays...

When Biondi, who began these Olympics with a bronze, then a silver and finished with five golds...

Jill Sterkel, 27, who won a gold medal in the 400-meter freestyle relay in 1976...

She finished third at the U.S. trials last month and failed to make the team. But when Angel Myers tested positive for drug use...

While Biondi received most of the attention the last week of Otto...



Kristin Otto waved after accepting her sixth gold medal in swimming events and Matt Biondi celebrated his fourth.



Andre Phillips, second from left, crossed the line a winner in the 400-meter hurdles. Edwin Moses, right, was third behind Hadji Amadou Dia Ba, left.

Phillips, Griffith-Joyner Race to Olympic Records

By Michael Janofsky

New York Times Service
SEUL — Two past Olympic champions from the United States were defeated Sunday in their quest of another gold medal...

the second-fastest ever, slower only than the 10.49 world record she ran in a preliminary race...

Phillips, the world's best hurdler in 1985 and 1986, but who missed most of last year with an injury...

Di Ba, a 30-year-old former high jumper, set a personal best in winning the silver medal...

Sunday, he seemed to be fighting through most of the race, as several racers earlier and finally Phillips and Di Ba had too much power to overcome.

Even before the final, Griffith-Joyner had twice broken Ashford's four-year-old Olympic record of 10.97...

In her final, Griffith-Joyner was the quickest out of the blocks and

was out threatened down the straightaway. With about 20 meters to go, the tension began to drain from her face...

Hollis Conway of the United States took the silver medal, clearing 7-8 1/2, a personal best...

Roger Kingdom of the United States, the 1984 Olympic champion in the men's 110-meter hurdles...

Sunday, he seemed to be fighting through most of the race, as several racers earlier and finally Phillips and Di Ba had too much power to overcome.

Even before the final, Griffith-Joyner had twice broken Ashford's four-year-old Olympic record of 10.97...

In her final, Griffith-Joyner was the quickest out of the blocks and

BRIEFS

cks Dissident
11 — About 2,000 chanting, many, eight days after a military crackdown...

er to Get U.S.
The United States has agreed to allow the entry of a group of dissidents...

Lead in Local
The local news section contains various reports on regional events...

man of Serbian
A report on a Serbian individual, possibly related to the local news section...

Lead in Local
Another report on local news, possibly a continuation of the previous section...

Lead in Local
A third report on local news, continuing the regional coverage...

Lead in Local
A fourth report on local news, providing further regional details...

Lead in Local
A fifth report on local news, concluding the regional news briefs...

Lead in Local
A sixth report on local news, providing a final regional update...

Lead in Local
A seventh report on local news, continuing the regional coverage...

Lead in Local
An eighth report on local news, providing further regional details...

Lead in Local
A ninth report on local news, concluding the regional news briefs...

Lead in Local
A tenth report on local news, providing a final regional update...

Lead in Local
An eleventh report on local news, continuing the regional coverage...

Lead in Local
A twelfth report on local news, providing further regional details...

Lead in Local
A thirteenth report on local news, concluding the regional news briefs...

Lead in Local
A fourteenth report on local news, providing a final regional update...

Lead in Local
A fifteenth report on local news, continuing the regional coverage...

Lead in Local
A sixteenth report on local news, providing further regional details...

Lead in Local
A seventeenth report on local news, concluding the regional news briefs...

Lead in Local
An eighteenth report on local news, providing a final regional update...

Lead in Local
A nineteenth report on local news, continuing the regional coverage...

Lead in Local
A twentieth report on local news, providing further regional details...

Lead in Local
A twenty-first report on local news, concluding the regional news briefs...

Lead in Local
A twenty-second report on local news, providing a final regional update...

Lead in Local
A twenty-third report on local news, continuing the regional coverage...

Lead in Local
A twenty-fourth report on local news, providing further regional details...

Lead in Local
A twenty-fifth report on local news, concluding the regional news briefs...

Evert Eliminated by Italian, Chinese Divers Take 2 Medals

The Associated Press

SEUL — Chris Evert's chance for an Olympic medal in tennis was brought back as a legal sport for the first time since 1924, ended when she was defeated Sunday by Raffaella Reggi of Italy, 2-6, 6-4, 6-1.

"I've had a great career," said Evert, 33. "I think my record has been one of the greatest. If I was 18, I'm sure I would have won a medal. The Olympics came too far into my career."

The medal standings were: Soviet Union 60 total, 27 gold; East Germany 54 total, 23 gold; and the United States 33 total, 11 gold.

In diving, Gao Min and Li Qing of China finished first and second in the women's springboard competition with Kelly McCormick of the United States getting the bronze.

The U.S. women's basketball team clinched a spot in the medal round, running its record to 3-0 with a 94-79 victory over China.

Katrina McClain scored 27 points as the Americans withstood a 32-point performance by China's 6-foot-8-inch (2-meter) center, Zhang Haixia.

Julia Behrendt of East Germany beat Anne Marden of the United States in the women's singles sculls, which was brought back as a legal sport for the first time since 1924.

West Germany won the men's eight — the only race the East Germans didn't enter.

East Germany won the men's coxless four in 6:03.11, with the United States boat second to 6:05.53.

The world and Olympic champions in Abbagnale broom — Catherine and Giuseppe — with coxswain Giuseppe DiCapano — carried the Italian banner to victory in coxed pairs, the event they have dominated for seven years.

GAMES ROUNDUP

States by more than three seconds at 7:47.19 in the women's single sculls, and before the seven rowing events concluded the East Germans had four golds, a silver and a bronze.

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The world and Olympic champions in Abbagnale broom — Catherine and Giuseppe — with coxswain Giuseppe DiCapano — carried the Italian banner to victory in coxed pairs, the event they have dominated for seven years.

A third Abbagnale brother, Agostino, won a gold medal in the men's quad.

The East German women's quad won that gold medal, with the Soviets and Romanians finishing second and third.

In table tennis, Jiang Jialiang of China extended his winning streak to four in the preliminaries as the tournament entered its third day.

Evert was the No. 2 seed in the first full-scale Olympic tennis tournament since 1924 and was expected to meet Steffi Graf of West Germany in the final.

Instead, her medal hopes evaporated with some of the worst tennis of her career on a packed noisy Court No. 1 at Olympic Park.

The wind was gusty and Evert had obvious problems with the toss on her serve, but she blamed only herself. "It was windy, but I don't want to make any excuses," she said.

2-Bout War Puts the U.S. Streak at 12

The Associated Press

SEUL — Roy Jones, Michael Carbajal, Romalis Ellis and Andrew Maynard all ended their work in less than two rounds, while teammate Todd Foster had to fight twice Sunday to make the Olympic quarterfinals because the bell tolled for Chun Jin Chul when it should have been a horn.

Still, that ran the U.S. boxing team's winning streak to 12 bouts, a streak that was ended only when Kim Kwang Sun of South Korea outpointed Arthur Johnson for a 5-0 decision that put Kim into the quarterfinals at the 112-pound (50.6-kilogram) class.

In the Foster-Chun bout, the bell rang near the end of the first round in ring B at the Chamshil Students' Gymnasium. Chud dropped his hands. The bell, however, signaled the end of a round in ring A. A horn is used for bouts in ring B.

Foster, knowing this, threw a left hook as referee Sandor Fajar of Hungary shouted, "Stop." Chaos reigned.

U.S. officials, claiming Chun had faked the knockdown to get Foster disqualified, protested to the International Amateur Boxing Association.

The Koreans protested, seeking a disqualification. It then was agreed to hold the fight again Sunday night, and about three hours later Foster was in the stands watching Johnson lose when he was informed he would be boxing again in 45 minutes.

The rematch was a war. Foster knock down Chun with a left-right to the head. Chun bounced up and gave as good as he got for the rest of the round, bloodying Foster's nose in the process.

In the second round, Foster hurt Chun badly with a right to the head, sent him reeling with some more solid shots to the head, then his own face a mask of blood, knocked down Chun with a vicious left hook that stopped the fight at 2:05 of the second round.

Todd Foster, complaining the round had not ended.

U.S. swimmers were dismissed from the Olympic team, and ordered to return home, for stealing a statue from a hotel bar.

On the Sidelines, the Action Continues

By Fred Hiatt

Washington Post Service
SEUL — Two Israeli yachtsmen were ordered home Sunday by leaders of their country's delegation for violating a ban on competition during Yom Kippur, the holiest day of the Jewish year.

That was after the Bulgarian weight lifting team, which had been doing better at its sport than any one else, withdrew from competition after losing a second gold medal on a drug violation.

The president of the South Korean National Olympic Committee resigned, as fallout from the Great Boxing incident continued.

And two U.S. swimmers were dismissed from the Olympic team, and ordered to return home, for stealing a statue from a hotel bar.

The Bulgarian weight lifting team, which had been doing better at its sport than any one else, withdrew from competition after losing a second gold medal on a drug violation.

The International Olympic Committee said Angel Angelov Guenchev, who set three world records Wednesday, had tested positive for furosemide, a diuretic. Such drugs can produce quick weight loss for athletes in weight-class sports and are also illegal strength-building steroid drugs.

Guenchev was stripped of his medal, as had been teammate Mikko Grabler, who Thursday tested positive for the same drug.

"Since this is the second case," a team statement said, "the Bulgarian delegation has decided to withdraw its team from further participation."

The statement said Bulgaria's weight lifting association would investigate "these irregularities casting a shadow over the reputation of the Bulgarian sport, and take measures against the athletes, the trainers and the doctor of the weight lifting team."

The two swimmers headed toward the nearby Incheon night-life district, where a hotel employee spotted them, the police said.

The Olympic Flame, and Spirit, Still Burn Brightly

By George Vecsey

New York Times Service
SEUL — Halfway through the Summer Games, it is easy to spot the negative parts. Television ratings down in the U.S.; NBC should have known that baseball and football are not in September and that many American fans don't think it's a good Summer Games unless Mary Lou Retton is winning all the medals.

Two American swimmers are picked up for pilfering part of a statue? Ship 'em home and make 'em watch political commercials.

Two Bulgarian weight lifters are stripped of their gold medals for testing positive for banned substances? Ship 'em home and show 'em medical movies of what may happen to their bodies in 10 years.

The head of the Korean Olympic Committee resigns because of the attack on a referee by Korean boxing officials? Ordinarily, that might seem like a mere gesture, but the lack of security and the mood of disrespect did not exist in a vacuum.

Empty seats at most venues? Empty hotel rooms? Empty seats on planes? That might make future Olympic hosts leery about turning over the tickets to tour packages. But September halfway around the world was a tough sell to begin with.

For all the news that must be noted, there is a broader feeling that South Korea is coming off well in terms of competence and hospitality.

Here are just a few reasons one professional vagabond is glad to be here:

Spotting the Olympic flame shimmering in empty Olympic Stadium Saturday night, a glowing witness to what Ben Johnson and Jackie Joyner-Kersey accomplished earlier.

The traditional robes worn by some children for Chusok, the Korean Thanksgiving that is sort of a cross between the Jewish rituals for Passover and Succoth.

Flowers everywhere. Cabbage kimchi. Potato kimchi. Carrot kimchi. (Sure, you can smell kimchi on the subway. But I'll miss it back in New York, where the executive board said the swimmers would be sent home "as soon as permitted by the Korean authorities.")

GAMES ANALYSIS

School children who giggle when foreigners try out their first 25 Korean words.

No George Bush. New friends in Taegye explaining the national song "Anirang" over giant bottles of Oriental Beer late one night. The scent of a shared national identity, so different from the United States.

Colorful signs of "Welcome — Bienvenue" flashing from small mountain villages as the Seacram train flashes through the countryside.

The friendly smiles from Ricky Davis and Anne Donovan and Edwin Moses as they recognize a familiar face from the States.

After the hotel barber gave me a good haircut and then vanished, the young woman who materialized and held my hand and said, "American man very gentle." Wasn't that sweet? Who said there is anti-Americanism here?

The proud look on Sohn Kee Chung's face as the 1936 marathon champion carried the torch into Olympic Stadium on opening Saturday.

The 88 children in the opening ceremony, all born on the day Korea was awarded the Summer Games six years ago.

Ginseng tea. Peanut tea. Rice tea. Running through the giant modern sculptures in Olympic Park. Being passed at a rapid clip by Eamonn Coghlan. Soviet cyclists wheeling past. Athletes taking pictures of Koreans. Koreans taking pictures of athletes.

Realizing that Teresa Edwards would be as respected as Don Mattingly and Harry Carson if there were pro basketball for women back home.

Watching Soviet athletes, officials and journalists joking and idling at different events. Glastnost is in the air.

An accounting of the incidents, and there are many, that show that all is not doom and gloom at the Games in Seoul.

Orange crosses glowing in the night from the top of some houses, churches and schools. Buddhist chanting from apartments and temples. Modern Koreans explaining why they converted to Buddhism or Confucianism or Christianity.

Food, food everywhere. Fresh oodles in train stations. Freeze-dried noodles mixed with scalding hot water at sports arenas. Juice in containers and stacks of hard-boiled eggs and dried fish, packages of walnuts and sausages.

No sight or sound of George Steinbrenner, the man who would rebuild the American Olympic movement but cannot save the New York Yankees.

The friendly "What's up?" from black American soldiers in civilian clothes shopping in Incheon. The dignified black generals who photograph to the master tailor P.S. Sol.

The reminder that our polyglot society back home works better than we sometimes think.

Knowing we can never see enough of Korea while chronicling the dreary drug tests and the dumb pilfering pranks. But giving it a try.

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LANGUAGE

Eat-Your-Peas Politics

By William Safire
WASHINGTON—"I hate my mother-in-law," muttered the cannibal.
The cook stately pointed to the plate and said: "At least eat your peas."

This hoary joke, a mean-spirited slur at both mothers-in-law and cannibals, is evidence of a long-time derogation of a vegetable as something unpalatable to young people: good for you, but requiring some persuasion to eat—wholesome, nourishing, BOR-ing.

The pea is a back-formation from the Middle English pease, which was mistakenly thought to be a plural. It wasn't a plural—pease was like porridge, an edible mess in a dish—but enough speakers of the language thought of it as the plural form of pea that the back-formation took place and what we now call peas is thought of as the plural.

The same change is now taking place with the Greek word kudos, which means "praise." Many people who do not speak Greek mistakenly assume kudos, a singular noun pronounced KU-dose, to be a plural pronounced KU-doze. Acting on that misconception, they back-form a singular kudo. One "kudo" is like the sound of one hand clapping, and upsets purists, but the bastard back-formation is coming into the language same as the pea.

Kids who enjoy eating peas are named kudos; most red-blooded kids hate peas or pretend to, because they know the vegetable is good for them. This has led to the linguistic use of peas-eating as a requirement.

The direction to eat peas is re-entrenched out as imperious, but boring. In the Los Angeles Times last year, Judith Michalson quoted Lynne V. Cheney, chairman of the National Endowment for the Humanities, criticizing the quality of elementary readers in today's schools: "They string sentences together about how to find a job, how to read the telephone books, how to eat your peas."

The reader now has eyes narrowed: What is all this seemingly disconnected background preparing us for? Only for an appreciation of the best coinage of a compound adjective in the 1983 election campaign. Paul Taylor of The Washington Post quoted "a Democratic strate-

Nadine Gordimer: Fighting For the Right to Be a Writer

International Herald Tribune
PARIS—Nadine Gordimer is among the most honored, and honorable, of writers. She is at work on her 10th novel and has published eight collections of short stories.

Her language is English, her nationality South African. She calls herself a white African and she says that her last vision when she dies will be of the burnt winter veld near Springs, the small mining town where she grew up. She is small and elegant; a Tanagra in finest tensile steel, wary and scrupulous not only because this is what her ethics and her aesthetic demand, but because she lives under a regime in which each word and gesture must be weighed.

Her first short story was published in a literary magazine in 1939, when she was 15. Her first novel came out in 1953 and while one critic in the United States praised her social awareness, he found her a young writer disinterestedly in love with words. "I wasn't politically active

a propagandist. That I would never do, I wouldn't even know how to write propaganda. So I reserve for myself the right to be a writer first. I do think I have very necessary responsibilities. I am answerable for what happens in South Africa. Everybody is, black and white."

Unlike some of her friends Nadine Gordimer has a passport and the freedom to travel. She is often invited to speak abroad, and accepts. "It is not what I would have chosen, but you are born into a situation with certain responsibilities. I feel that when I'm abroad I can't be abroad privately. It goes against my convictions and what is expected from me because of these convictions. I cannot live in South Africa and live an entirely private life. If I wanted to do that I would have to go live somewhere else."

On the occasion of the publication in France of her 1974 novel, "The Conservationist," she recently gave a talk at the British Council in Paris and answered with extreme courtesy the same questions that were asked in Athens, Amsterdam, Princeton and the other places she has spoken during the past year.

She believes that South Africa's future is as a multiracial society in which blacks and whites have equal rights. At the British Council she was once again asked if this does not mean that South Africa will automatically fall into the tyranny and chaos of some of its neighbors.

"I do not think you can minimize the chaos and suffering of some of the other countries," she replied. "But why should this be an argument for whites to continue to oppress blacks in South Africa? Why the assumption that the minute you get a black majority nonracial government, no moderation is possible?"

The next day, in her Paris hotel, she said she wished she had been sharper. "I should have said does this mean that the terrible things that are done by whites in South Africa are acceptable? Why don't you judge the white minority by the same standards that you judge the black dictators?"

Even the well-intentioned who claim to

welcome majority rule often argue that the effect on South African culture will be disastrous.

"What are they talking about?" Gordimer says. "The real culture today is destroyed by apartheid. The idea that culture comes from Europe, that if you take the whites away everybody's going to run around in animal skins, painted. I am really shocked by that."

"People act as if we were talking about paradise, as if we were talking about the millennium, utopia. I find this offensive. I often think when I am in Europe or America that there is a total lack of understanding."

"I am very cautious about saying this because I don't mean you don't understand our situation. I mean a lack of understanding of how we cope and the sense of privilege, the tremendous privilege, to know some of the people we know, people whose names you have never heard of. And there is a wonderful form of friendship, our friendships are different from other people's. There is more trust, there has to be."

Gordimer mentions such writers as J.M. Coetzee, a white, and Nwabeke Mbali, a black, both writing out of prison and—this is the point—writing extremely well. And she cites the thoughtful analyses and proposals for the future made by members of the African National Congress such as P. J. Marais, a black who has been labeled a wild firebrand. "I would have liked to play a speech he made in Athens to the people last night and say you don't meet these people, you never talk to them, you've got it all in your mind."

Gordimer has written that responsibility is what lies outside the Eden of creativity. She is glad she briefly knew that Eden from having started to write so young. "I think that gave me the obstinate basis to cling to my right to be a writer, to be an artist, and to realize that if I ever started tampering with whatever talents I had, my existence didn't really count for much."

Because she is a South African writing in South Africa, her country's pain is always present in her work, even indirectly—in the superb descriptions of the land that a small minority has taken as its own, in the basic human relationships inevitably thrown away in the environment in which they occur, in the precious freedom enjoyed by a few and which Gordimer has called the freedom of the loose end, in the fact that the country and its people are inescapably



Gordimer seeking to describe situations so truthfully they cannot be evaded.

the same. In what many consider her finest novel, "Burger's Daughter" (1979), she takes her epigraph from Claude Levi-Strauss: "I am the place in which something has occurred."

In her collection, "The Essential Gesture," Nadine Gordimer writes on such subjects as "Where do Whites Fit In?" "Relevance and Commitment" and "Living in the Interregnum." The title essay comes from Roland Barthes's statement that the writer's work is his essential gesture as a human being. "Ours is a period in which few can claim the absolute value of a writer without reference to a context of responsibilities," Gordimer writes.

The essential gesture always applies: It is the writer in the act of transforming experience, asserting his right to write in the society in which he lives. First World War writers, free from the urgent need of self-expression that writers have to fight for in such places as the Soviet Union, Vietnam, South Africa and certain Latin American countries, tend not to think much about social responsibility, though Gordimer makes exceptions for G.M. Hopkins, Heinrich Böll and Samuel Beckett who "takes on as his essential gesture a responsibility direct to human destiny,

PERSONAL MESSAGES

MAY THE SACRED HEART OF JESUS be adored, glorified, loved and preserved throughout the world, now and forever. Sacred Heart of Jesus, pray for us, Saint Jude, worker of miracles, pray for us. Saint Jude, help of the hopeless, pray for us. Say that prayer nine times a day, by the night you pray for will be answered. It has never been known to fail. Publication must be promoted. P.P.

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THE INTERNATIONAL MOVERS
Head Office: World Trade Center
Berkshire, Tel. 31 (0) 405 2070

INTERNATIONAL CLASSIFIED

MOVING

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REAL ESTATE FOR SALE

REAL ESTATE FOR SALE
FRENCH PROVINCES
3 KMS FROM CANNES
18th CENTURY STONE BASTIDE
entirely restored with great care.

REAL ESTATE TO RENT/SHARE

REAL ESTATE TO RENT/SHARE
PARIS AREA FURNISHED
AGENCE CHAMPS ELYSEES
11 rue de Colonne, Paris 8th

AUTO RENTALS

AUTO RENTALS
PARIS LONDON
Ford Fiesta F1075pw £109.25pw
Ford Escort F1075pw £109.25pw

THE COBURG HOTEL

THE COBURG HOTEL
129 BAYSWATER ROAD
HYDE PARK
LONDON W2 4AR

Chopard GENÈVE advertisement featuring a watch image and text describing the brand and its products.

Vertical sidebar advertisements including Olympic, Pole Vault, Big Game in Munich, Maybe No Jabbered, All N. Reag, Chemical, Kiosk, and various classified notices.